



Dave Yost • Auditor of State



MARIEMONT CITY SCHOOL DISTRICT  
HAMILTON COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Mariemont City School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major funds, and the aggregate remaining fund information of Mariemont City School District, Hamilton County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential 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 other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

February 6, 2013

# MARIEMONT CITY SCHOOL DISTRICT, OHIO MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2012

(Unaudited)

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The discussion and analysis of Mariemont City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June, 1999.

## Financial Highlights

Key financial highlights for 2012 are as follows:

- In total, net assets increased \$149 thousand, which represents a 1.4% increase from 2011.
- General revenue accounted for \$22.4 million in revenue or 94.2% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1.4 million or 5.8% of total revenues of \$23.7 million.
- Total assets of governmental activities increased by \$111 thousand as taxes receivable decreased by \$98 thousand while cash decreased by \$27.8 million. Capital assets, net of depreciation increased by \$28 million, as the District began our facilities renovation project.
- The District had \$23.6 million in expenses related to governmental activities; only \$1.4 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$22.4 million were adequate to provide for these programs and the District was able to add to our cash reserves.
- All governmental funds had total revenues of \$24 million. All governmental funds had total expenditures of \$52.2 million. The net change in fund balance for the year was a decrease of \$28.1 million before other financing sources/uses.

## Overview of the Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statements 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

**MARIEMONT CITY SCHOOL DISTRICT, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS – (continued)  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

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governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund, Bond Retirement, and the Building Fund are the major funds of the District.

***Reporting the School District as a Whole***

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2012?" The *Statement of Net Assets* and the *Statement of Activities* 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 Statement of Net Assets and the Statement of Activities, the District has one distinct kind of activity. Governmental Activities – The District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

***Reporting the District's Most Significant Funds***

***Fund Financial Statements***

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.

***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.

**MARIEMONT CITY SCHOOL DISTRICT, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – (continued)**  
**For the Fiscal Year Ended June 30, 2012**  
(Unaudited)

**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for 2012 compared to 2011:

Table 1  
Net Assets

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2012</u>
<b>Assets</b>		
Current and other	\$58,705,224	\$30,808,986
Capital assets	12,093,619	40,101,334
<b>Total Assets</b>	<b>70,798,843</b>	<b>70,910,320</b>
<b>Liabilities</b>		
Long-term liabilities	48,691,510	47,139,819
Other Liabilities	11,147,232	12,661,027
<b>Total Liabilities</b>	<b>59,838,742</b>	<b>59,800,846</b>
<b>Net Assets</b>		
Invested in capital assets, net of debt	4,863,871	(1,023,949)
Restricted	35,803,989	1,957,073
Unrestricted	(29,707,759)	10,176,350
<b>Total Net Assets</b>	<b>\$10,960,101</b>	<b>\$11,109,474</b>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$11.1 million. Of this total \$1.96 million is restricted in use resulting in a balance of unrestricted net assets of \$10.2 million.

At fiscal year-end, capital assets represented 57% of total assets. Capital assets include land, construction-in-progress, buildings & improvements, equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2012 were (\$1) million. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1.96 million, represents resources that are subject to external restriction on how they may be used. Of this total \$1.8 million is restricted for debt service.

**MARIEMONT CITY SCHOOL DISTRICT, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – (continued)**  
**For the Fiscal Year Ended June 30, 2012**  
(Unaudited)

Table 2 shows the change in net assets from fiscal year 2011 to 2012

Table 2  
Changes in Net Assets

	Governmental Activities 2011	Governmental Activities 2012
<b>Revenues</b>		
<b>Program Revenues:</b>		
Charges for services & sales	\$735,301	\$922,325
Operating grants	1,029,372	447,905
Capital grants	0	0
<b>General Revenues:</b>		
Property taxes	17,046,915	15,994,489
Grants and entitlements	6,518,208	5,244,247
Earnings on investments	166,982	148,577
Other revenues	149,434	984,025
<b>Total Revenues</b>	<b>25,646,212</b>	<b>23,741,568</b>
<b>Program expenses:</b>		
Instruction	12,633,139	11,349,654
<b>Support services:</b>		
Pupil and instructional staff	2,799,060	1,908,664
Administration	2,209,127	2,107,690
Operations & maintenance	8,510,404	3,684,953
Pupil transportation	473,955	746,353
Central	329,337	899,551
<b>Non-instructional services</b>	<b>211,067</b>	<b>177,970</b>
<b>Extracurricular activities</b>	<b>729,895</b>	<b>899,615</b>
<b>Interest and fiscal charges</b>	<b>1,257,493</b>	<b>1,817,745</b>
<b>Total Expenses</b>	<b>29,153,477</b>	<b>23,592,195</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(\$3,507,265)</b>	<b>\$149,373</b>

**Governmental Activities**

The District revenues are mainly from two sources. Property taxes and grants and entitlements comprised ninety-one percent (91%) of the District's revenues for governmental activities. Property tax revenue decreased \$1.1 million due to the timing of the receipt of property tax advances from the County Auditor. Operations and maintenance expenses decreased \$4.8 million primarily due fiscal year 2011 costs included the demolition of three buildings and the costs involved in the subsequent preparation and moving costs associated with the relocation of students. Interest and fiscal charges increased by \$.6 Million due to the costs associated with the \$39.8 bonds issued late in the fiscal year 2011.

**MARIEMONT CITY SCHOOL DISTRICT, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS – (continued)  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

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

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up sixty-seven percent (67%) of revenue for governmental activities for the District in fiscal year 2012.

Instruction comprises forty-eight percent (48%) of governmental program expenses. All other expenses were fifty-two percent (52%) of governmental program expenses.

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  
Changes in Net Assets**

	Total Cost of Services		Net Cost of Services	
	2011	2012	2011	2012
Instruction	12,633,139	11,349,654	\$11,834,318	\$10,846,454
Support services:				
Pupil and instructional staff	2,799,060	1,908,664	2,575,549	1,724,209
Administration	2,209,127	2,107,690	2,209,127	2,107,690
Operations & maintenance	8,510,404	3,684,953	8,486,437	3,660,986
Pupil transportation	473,955	746,353	243,054	739,153
Central	329,337	899,551	329,337	899,551
Non-instructional services	211,067	177,970	18,174	(5,840)
Extracurricular activities	729,895	899,615	435,315	432,017
Interest and fiscal charges	1,257,493	1,817,745	1,257,493	1,817,745
<b>Total Expenses</b>	<b>\$29,153,477</b>	<b>\$23,592,195</b>	<b>\$27,388,804</b>	<b>\$22,221,965</b>

**MARIEMONT CITY SCHOOL DISTRICT, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS – (continued)  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

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**The District's Funds**

These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$24 million and expenditures of \$52.2 million. The net change in fund balance for the year was a decrease of \$28.1 million.

The District's major funds are the General Fund, the Bond Retirement Fund and the Building Fund. The General Fund had \$21 million in revenues and \$19.9 million in expenditures. The General Fund's balance at year end was \$10.9 million, an increase over the previous year by 2%. The Bond Retirement Fund received \$1.9 million in taxes in 2012 and had debt payment requirements of \$1.92 million, the cash reserves were adequate to fund the difference. The Building Fund had \$122 thousand in revenues and \$29.2 million in expenditures during 2012. The Building Fund's balance decreased by \$28.2 million as the project progressed.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2012, the District amended its general fund budget twice, however neither was significant. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, budget basis revenue was \$21.2 million, slightly above original budget estimates of \$20.5 million. Of this \$.7 million difference, most was due to an increase in the amount of taxes.

The District's ending unobligated cash balance was \$2.7 million below the original budget amount.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2012, the District had \$40.1 million invested in land, buildings, equipment and vehicles. Table 4 shows fiscal 2012 balances compared to fiscal 2011:

**MARIEMONT CITY SCHOOL DISTRICT, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – (continued)**  
**For the Fiscal Year Ended June 30, 2012**  
(Unaudited)

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

	Governmental Activities	
	2011	2012
Land	\$1,110,469	\$1,110,469
Construction-in-Progress	0	28,077,414
Buildings & Improvements	10,065,039	9,927,703
Equipment	866,654	944,883
Vehicles	51,457	40,865
Total Net Assets	<u>\$12,093,619</u>	<u>\$40,101,334</u>

The increase in capital assets is due to \$28,475,375 in acquisitions, offset by the recognition of \$467,660 in depreciation expense. During the 2012 year, the District did not dispose of any capital assets. This District continues its ongoing commitment to maintaining and improving its capital assets. For additional information on capital assets see Note G of the Notes to Basic Financial Statements.

**Debt**

At June 30, 2012, the District had \$44,954,166 in bonds outstanding, \$476,755 due within one year. Table 5 summarizes bonds outstanding.

Table 5  
Outstanding Debt, at June 30

	Governmental Activities	
	2011	2012
General Obligation Bonds:		
Permanent Improvement	<u>\$45,318,644</u>	<u>\$44,954,166</u>
Total General Obligation Bonds	<u>\$45,318,644</u>	<u>\$44,954,166</u>

**MARIEMONT CITY SCHOOL DISTRICT, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS – (continued)  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

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The Bonded Debt was issued based upon two ballot issues. In 2000, the District passed a 2.23 mill bond levy, providing \$8.016 million for a building and other various capital improvements. In 2011, the District passed a \$39.8 million bond issue also to fund capital improvements.

At June 30, 2012 the District's overall legal debt margin was \$29,797,125 with an unvoted debt margin of \$331,079.

For additional information on long-term debt see Notes I and J of the Notes to Basic Financial Statements.

**For the Future**

Externally, the Ohio Supreme Court found the State of Ohio in March 1997, to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes which are inherently not "equitable" nor "adequate". The Supreme Court declined to retain accountability for lack of compliance.

In June of 2005, the State legislature passed House Bill 66. House Bill 66 phases out the tax on tangible personal property of general business, telephone, and telecommunications companies, and railroads over the course of twelve years. HB 153, the 20112013 State biennium budget, included language that accelerated the phase down of the tangible tax reimbursement. The District lost most of our revenues from this source in 2012 and will receive our last revenues in 2013.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

**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 Natalie Lucas, Treasurer at Mariemont City School District, 2 Warrior Way, Mariemont, OH 45227 or e-mail her at [NLucas@MariemontSchools.org](mailto:NLucas@MariemontSchools.org).

**MARIEMONT CITY SCHOOL DISTRICT, OHIO  
STATEMENT OF NET ASSETS  
JUNE 30, 2012**

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Equity in pooled cash and investments	\$13,658,413
Receivables:	
Taxes	16,600,197
Accounts	59,402
Materials and supplies inventory	5,481
Deferred charges	485,493
Nondepreciable capital assets	29,187,883
Depreciable capital assets, net	<u>10,913,451</u>
<b>TOTAL ASSETS</b>	<u><u>\$70,910,320</u></u>
<b>LIABILITIES:</b>	
Accounts payable	\$260,234
Accrued wages and benefits	1,800,587
Unearned revenue	9,362,598
Intergovernmental payable	288,332
Accrued interest payable	300,579
Long-term liabilities	
Due within one year	648,697
Due within more than one year	<u>47,139,819</u>
<b>TOTAL LIABILITIES</b>	<u>59,800,846</u>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	(1,023,949)
Restricted for:	
Budget stabilization	140,000
Capital Outlay	47,679
Debt Service	1,769,394
Unrestricted	<u>10,176,350</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$11,109,474</u></u>

See accompanying notes.

**MARIEMONT CITY SCHOOL DISTRICT, OHIO  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Change in Net Assets</u>
					<u>Governmental Activities</u>
Governmental activities:					
Instruction:					
Regular	\$9,370,858	\$266,153	\$10,745	\$0	(\$9,093,960)
Special	1,837,386	32,798	193,504	0	(1,611,084)
Adult	1,028	0	0	0	(1,028)
Other	140,382	0	0	0	(140,382)
Support services:					
Pupil	1,331,751	0	161,796	0	(1,169,955)
Instructional staff	576,913	0	22,659	0	(554,254)
General administration	13,307	0	0	0	(13,307)
School administration	1,549,093	0	0	0	(1,549,093)
Fiscal	537,244	0	0	0	(537,244)
Business	8,046	0	0	0	(8,046)
Operations & maintenance	3,684,953	23,967	0	0	(3,660,986)
Pupil transportation	746,353	0	7,200	0	(739,153)
Central	899,551	0	0	0	(899,551)
Non-instructional services	177,970	131,809	52,001	0	5,840
Extracurricular activities	899,615	467,598	0	0	(432,017)
Debt service:					
Interest and fiscal charges	1,817,745	0	0	0	(1,817,745)
<b>Total governmental activities</b>	<b>\$23,592,195</b>	<b>\$922,325</b>	<b>\$447,905</b>	<b>\$0</b>	<b>(\$22,221,965)</b>

General revenues:

Property taxes levied for:	
General purposes	14,331,717
Debt Service	1,662,772
Grants and Entitlements not Restricted to Specific Programs	5,244,247
Earnings on Investments	148,577
Other revenues	984,025
<b>Total general revenues</b>	<b>22,371,338</b>
<b>Change in net assets</b>	<b>149,373</b>
<b>Net assets beginning of year</b>	<b>10,960,101</b>
<b>Net assets end of year</b>	<b>\$11,109,474</b>

See accompanying notes.

**MARIEMONT CITY SCHOOL DISTRICT, OHIO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	General Fund	Bond Retirement Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Equity in pooled cash and investments	\$4,302,797	\$665,426	\$8,247,933	\$302,257	\$13,518,413
Restricted cash	140,000	0	0	0	140,000
Receivables:					
Taxes	14,642,186	1,958,011	0	0	16,600,197
Accounts	29,383	5	192	29,822	59,402
Interfund	2,736,366	0	0	0	2,736,366
Inventory	0	0	0	5,481	5,481
<b>TOTAL ASSETS</b>	<b>\$21,850,732</b>	<b>\$2,623,442</b>	<b>\$8,248,125</b>	<b>\$337,560</b>	<b>\$33,059,859</b>
<b>LIABILITIES AND FUND BALANCE:</b>					
<b>Liabilities:</b>					
Accounts payable	\$144,952	\$0	\$103,783	\$11,499	\$260,234
Accrued wages and benefits	1,800,587	0	0	0	1,800,587
Deferred revenue	8,630,886	1,264,011	0	0	9,894,897
Intergovernmental payable	288,332	0	0	0	288,332
Interfund payable	0	0	2,736,366	0	2,736,366
Compensated absences payable	56,909	0	0	0	56,909
<b>Total liabilities</b>	<b>10,921,666</b>	<b>1,264,011</b>	<b>2,840,149</b>	<b>11,499</b>	<b>15,037,325</b>
<b>Fund Balances</b>					
Nonspendable	0	0	0	5,481	5,481
Restricted	140,000	1,359,431	0	236,960	1,736,391
Committed	161,178	0	8,144,148	83,620	8,388,946
Unassigned	10,627,888	0	(2,736,172)	0	7,891,716
<b>Total fund balances</b>	<b>10,929,066</b>	<b>1,359,431</b>	<b>5,407,976</b>	<b>326,061</b>	<b>18,022,534</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$21,850,732</b>	<b>\$2,623,442</b>	<b>\$8,248,125</b>	<b>\$337,560</b>	<b>\$33,059,859</b>

See accompanying notes.

**MARIEMONT CITY SCHOOL DISTRICT, OHIO  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2012**

Total Governmental Fund Balances \$18,022,534

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.

Land	1,110,469	
Construction-in-Progress	28,077,414	
Buildings and improvements	15,990,102	
Furniture and equipment	5,462,545	
Vehicles	461,854	
Accumulated depreciation	<u>(11,001,050)</u>	
Total Capital Assets		40,101,334

Other long-term assets that are not available to pay for current period expenditures and therefore are deferred in the funds.

Taxes - delinquent receivables	532,299	
Total		532,299

In the statement of net assets, interest is accrued, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.

(300,579)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable	44,954,166	
Less issuance costs	(485,493)	
Unamortized premium on bonds	126,741	
Capital lease payable	1,579,093	
Compensated absences	<u>1,071,607</u>	
Total		<u>(47,246,114)</u>

Net Assets of Governmental Activities

\$11,109,474

See accompanying notes.

**MARIEMONT CITY SCHOOL DISTRICT, OHIO  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General Fund	Bond Retirement Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
From local sources:					
Taxes	\$14,609,488	\$1,687,043	\$0	\$0	\$16,296,531
Tuition and fees	302,393	0	0	0	302,393
Charges for services	432	0	0	120,038	120,470
Earnings on investments	30,383	214	117,980	0	148,577
Extracurricular activities	44,003	0	0	414,532	458,535
Other local revenues	64,170	0	4,978	33,479	102,627
Intergovernmental	5,946,515	218,379	0	449,583	6,614,477
<b>Total revenues</b>	<b>20,997,384</b>	<b>1,905,636</b>	<b>122,958</b>	<b>1,017,632</b>	<b>24,043,610</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	9,487,702	0	0	33,638	9,521,340
Special	1,694,246	0	0	192,979	1,887,225
Adult	1,028	0	0	0	1,028
Other	140,382	0	0	0	140,382
Support services:					
Pupil	1,179,044	0	0	161,810	1,340,854
Instructional staff	465,655	0	0	32,690	498,345
General administration	13,234	0	0	0	13,234
School administration	1,546,767	3,097	14,460	0	1,564,324
Fiscal	516,196	21,589	0	0	537,785
Business	6,806	0	0	0	6,806
Operations & maintenance	1,967,704	0	58	0	1,967,762
Pupil transportation	745,946	0	0	0	745,946
Central	887,251	0	0	12,300	899,551
Non-instructional services	0	0	0	173,377	173,377
Extracurricular activities	492,025	0	0	356,075	848,100
Capital Outlay	529,575	0	29,157,067	256,963	29,943,605
Debt service:					
Principal retirement	132,021	364,478	0	0	496,499
Interest and fiscal charges	74,917	1,530,256	0	0	1,605,173
<b>Total expenditures</b>	<b>19,880,499</b>	<b>1,919,420</b>	<b>29,171,585</b>	<b>1,219,832</b>	<b>52,191,336</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>1,116,885</b>	<b>(13,784)</b>	<b>(29,048,627)</b>	<b>(202,200)</b>	<b>(28,147,726)</b>
<b>Other financing sources (uses):</b>					
Transfers in	0	0	899,000	0	899,000
Transfers out	(899,000)	0	0	0	(899,000)
<b>Total other financing sources (uses)</b>	<b>(899,000)</b>	<b>0</b>	<b>899,000</b>	<b>0</b>	<b>0</b>
<b>Net change in fund balances</b>	<b>217,885</b>	<b>(13,784)</b>	<b>(28,149,627)</b>	<b>(202,200)</b>	<b>(28,147,726)</b>
Fund balance, July 1	10,711,181	1,373,215	33,557,603	528,261	46,170,260
Fund balance, June 30	<u>\$10,929,066</u>	<u>\$1,359,431</u>	<u>\$5,407,976</u>	<u>\$326,061</u>	<u>\$18,022,534</u>

See accompanying notes.

**MARIEMONT CITY 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, 2012**

Net Change in Fund Balance - Total Governmental Funds (\$28,147,726)

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

Governmental funds report capital outlays 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 by which depreciation exceeded capital outlay in the current period.

Capital asset additions, net	28,475,375	
Accumulated Depreciation, net	(467,660)	
Total Capital Assets	28,007,715	28,007,715

Other long-term assets that are not available to pay for current period expenditures and therefore are deferred in the funds. (302,042)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Bond principal	364,478	
Lease principal	132,011	
Total	496,489	496,489

Governmental funds report the effect of issuance costs, premiums and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (11,104)

In the statement of activities, interest is accrued, whereas in the governmental funds, and interest expenditure is reported when due. (201,458)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 307,499

Change in net assets of governmental activities \$149,373

See accompanying notes.

**MARIEMONT CITY SCHOOL DISTRICT, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 BUDGET-ACTUAL (NON-GAAP BUDGETARY BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2012**

	GENERAL FUND			Variance: Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues:				
From local sources:				
Taxes	\$14,433,612	\$14,954,488	\$14,954,488	\$0
Tuition	200,000	116,931	116,931	0
Earnings on investments	30,000	31,744	31,744	0
Other local revenues	75,000	108,740	108,740	0
Intergovernmental - state and local	5,780,822	5,946,514	5,946,514	0
Total revenues	20,519,434	21,158,417	21,158,417	0
Expenditures:				
Current:				
Instruction:				
Regular	9,764,166	9,510,377	9,510,377	0
Special	1,712,087	1,726,942	1,726,942	0
Other	105,000	140,382	140,382	0
Support services:				
Pupil	1,181,124	1,203,895	1,203,895	0
Instructional staff	648,350	494,339	494,339	0
General administration	17,875	13,320	13,320	0
School administration	1,666,320	1,568,882	1,568,882	0
Fiscal	557,175	528,325	528,325	0
Business	29,200	9,981	9,981	0
Operations and maintenance	2,093,855	2,219,824	2,026,104	193,720
Pupil transportation	799,900	746,947	746,947	0
Central	723,624	999,105	999,105	0
Extracurricular activities	508,425	495,707	495,707	0
Capital Outlay	425,727	560,326	560,326	0
Debt Service:				
Principal	171,700	96,700	96,700	0
Interest	89,500	80,382	80,382	0
Total expenditures	20,494,028	20,395,434	20,201,714	193,720
Excess (deficiency) of revenues over (under) expenditures	25,406	762,983	956,703	193,720
Other financing sources (uses):				
Advances (out)	0	(899,000)	(899,000)	0
Operating transfers (out)	(50,000)	(2,736,366)	(2,736,366)	0
Total other financing sources (uses)	(50,000)	(3,635,366)	(3,635,366)	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	(24,594)	(2,872,383)	(2,678,663)	193,720
Fund balance, July 1	6,567,078	6,567,078	6,567,078	0
Prior year encumbrances appropriated	35,658	35,658	35,658	0
Fund balance, June 30	\$6,578,142	\$3,730,353	\$3,924,073	\$193,720

See accompanying notes.

**MARIEMONT CITY SCHOOL DISTRICT, OHIO  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 JUNE 30, 2012**

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>ASSETS:</b>		
Equity in pooled cash and investments	<u>\$85,553</u>	<u>\$39,346</u>
<b>LIABILITIES:</b>		
Due to others		<u>\$39,346</u>
<b>NET ASSETS:</b>		
Held in trust for Scholarships	<u>85,553</u>	
<b>TOTAL NET ASSETS</b>	<u><u>\$85,553</u></u>	

See accompanying notes.

**MARIEMONT CITY SCHOOL DISTRICT, OHIO  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 PRIVATE PURPOSE TRUST  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
ADDITIONS:	
Interest	<u>\$512</u>
DEDUCTIONS:	
Award	<u>300</u>
Change in net assets	212
Net assets beginning of year	<u>85,341</u>
Net assets end of year	<u><u>\$85,553</u></u>

See accompanying notes.

**MARIEMONT CITY SCHOOL DISTRICT, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012**

**NOTE A--DESCRIPTION OF THE DISTRICT**

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

The District operates under a locally elected five member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by 51 non-certificated personnel and 129 certificated full time teaching and administrative personnel to provide services to students and other community members. The District is the 16th largest in Hamilton County (among 22 Districts) in terms of enrollment. It currently operates 2 elementary schools, 1 junior high school (grades 7-8), and 1 high school (grades 9-12).

**THE REPORTING ENTITY**

The reporting entity is comprised of the primary government, which consists of all funds, departments, boards, and agencies that are not legally separate from the District. This includes general operations, food service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the School 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 School approves the budget, the issuance of debt, or the levying of taxes. The District has no component units.

The District is associated with two organizations that are defined as jointly governed organizations. These organizations are H/CCA and Great Oaks Institute of Technology and Career Development and are presented in Note P to the Purpose Financial Statements.

**NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**BASIS OF PRESENTATION**

*Government-wide Financial Statements.* The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District has no business-type activities.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which the governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are 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 grants 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* Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

## FUND ACCOUNTING

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

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

*Bond Retirement Fund* The bond retirement fund is used for the accumulation of resources for and the payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the District is obligated in some manner for the payment.

*Building Fund* The building fund is used to account for receipts and expenditures related to the construction of school facilities.

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

*Fiduciary Funds* report on net assets and changes in net assets. The District's fiduciary funds consist of a private-purpose trust fund and agency funds. The District's private-purpose trust fund accounts for scholarship programs for students from Fairfax Elementary. These assets are not available for the District's use. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District accounts for student activities in its agency funds.

## BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

*Revenues – Exchange and Non-exchange Transactions* Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from 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 fiscal year-end: property taxes available as an advance, interest and grants.

*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, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

*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 governmental funds.

## BUDGETARY DATA

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

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

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

The actual results of operations, compared to the budget, which includes amendments, for the General Fund by expenditure function and revenue by source are presented in the *Combined Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual (Non-GAAP Budgetary Basis)*. The reserve

for encumbrances is carried forward as part of the budgetary authority for the next year and is included in the revised budget amounts shown in the budget to actual comparisons.

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

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

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

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

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

Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized appropriation. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2012 and none were significant. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated.

## ENCUMBRANCES

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

## CASH AND INVESTMENTS

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. During fiscal year 2012, \$30,383 of interest revenue was credited to the general fund, \$214 was credited to the bond retirement fund and \$117,980 was credited to the building fund.

Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. (If a quoted market price is not available, the methods and significant assumptions used to estimate the fair value of investments must be disclosed.) Non-participating investment contracts such as repurchase agreements and non-negotiable certificates of deposit are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio), during fiscal year 2012. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2012.

#### RESTRICTED ASSETS

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve as required by State statute.

	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2011	\$ 0	\$ 140,000
Current Year Set-aside Requirement	280,157	0
Additional Qualifying Disbursements	<u>(302,247)</u>	<u>0</u>
Total	<u>\$(22,090)</u>	<u>\$ 140,000</u>
Set-aside Cash Balance as of June 30, 2012	<u>\$ 0</u>	<u>\$ 140,000</u>

Effective July 1, 2011, the textbook reserve requirement was eliminated; therefore, no balance or other information is presented.

#### INVENTORY (MATERIALS AND SUPPLIES)

Inventory is stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventory consists of donated food, purchased food, and school supplies held for resale and are expensed when used.

#### CAPITAL ASSETS

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements but are not reported in the governmental fund financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of three thousand dollars. The School 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.

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. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	10-40 years
Furniture and Equipment	5-15 years
Vehicles	10 years

**COMPENSATED ABSENCES**

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

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

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

<u>VACATION</u>	<u>Certified</u>	<u>Administrators and Exempt</u>	<u>Non-Certificated</u>
How earned	Not Eligible	25 days	10-20 days for each service year depending on length of service.
Maximum Accumulation	Not Applicable	25 days	20 days
Vested	Not Applicable	25 days	20 days
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination
<u>SICK LEAVE</u>			
How earned	1 ¼ days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	230	Contract days	230
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

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

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the fiscal year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

**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.

#### ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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.

#### FUND BALANCE

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**Nonspendable** - the nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

**Restricted Fund Balance** - is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

**Committed** - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education.

**Unassigned** - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

#### NOTE C—FUND BALANCE / NET ASSET DEFICIT

The District had no deficit fund balances during the 2012 fiscal year.

## NOTE D--EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to

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

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

Deposits

*Custodial Credit Risk*

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 custodial credit risk policy requires that deposits be collateralized as required by ORC Chapter 135. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year-end, \$1,781,421 of the District's bank balance of \$2,031,421 was exposed to custodial credit risk since 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.

Investments

The District's investments at June 30, 2012 are as summarized as follows:

	<u>Fair Value</u>	<u>Average Maturity Years</u>
FHLB	\$4,283,853	0.22
FNMA	2,001,730	0.32
Star Ohio	3,709,059	n/a
US Money Market Funds	1,299,194	n/a
CD's	<u>585,723</u>	0.38
	<u><u>\$11,879,559</u></u>	

*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 a credit quality rating of the top 2 ratings by nationally recognized statistical rating organizations. The District's investments in Federal Home Loan Bank (FHLB) securities were rated AAA by Standard & Poor's and Aaa by Moody's. The District's investments in the U.S. Money Market Funds were rated AAA by Standard & Poor's. Investments in STAR Ohio were rated AAAM by Standard & Poor's.

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District is required to disclose the amount of investments with any one issuer that represent five percent or more of total investments. Investments issued by the U.S. government,

investments, and investments in external investment pools are excluded from this requirement. The District's investments in FHLB securities represent 36% of total investments.

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a failure of a counter party, 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. The District's investment securities are registered in the name of the District.

*Interest Rate Risk*

In accordance with the investment policy, the District manages its exposure to declines in fair value by limiting the maximum maturity of investments in its portfolio to five years.

**NOTE E--PROPERTY TAXES**

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 2012 were based are as follows:

Tangible personal property	\$ 8,664,340
Real estate	<u>322,414,830</u>
Total assessed property value	<u>\$331,079,170</u>

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at twenty-five percent of true value (as defined). In 2012, each business was eligible to receive a \$10,000 exemption in assessed value, which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2012, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due June 20th.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes that are measurable at June 30, 2012. Property tax advances available at year end and delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2012. All other tax receivables are recorded with an offset credit to deferred revenue, because although measurable, they are intended to finance the next fiscal year's operations.

**NOTE F--RECEIVABLES**

Receivables at June 30, 2012 consisted of taxes, accounts receivable, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose of the nonpayment of taxes, the stable condition of State Programs, and the current year guarantee of Federal Funds.

NOTE G—CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b>Government Activities</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$1,110,469	\$0	\$0	\$1,110,469
Construction-in-Progress	0	\$28,077,414	\$0	28,077,414
<i>Capital Assets being depreciated:</i>				
Buildings & Improvements	15,860,969	129,133	0	15,990,102
Equipment	5,193,717	268,828	0	5,462,545
Vehicles	<u>461,854</u>	<u>0</u>	<u>0</u>	<u>461,854</u>
Total Historical Cost	<u>\$22,627,009</u>	<u>\$28,475,375</u>	<u>\$0</u>	<u>\$51,102,384</u>
Less Accumulated Depreciation:				
Buildings & Improvements	5,795,930	266,469	0	6,062,399
Equipment	4,327,063	190,599	0	4,517,662
Vehicles	<u>410,397</u>	<u>10,592</u>	<u>0</u>	<u>420,989</u>
Total Accumulated Depreciation	<u>\$10,533,390</u>	<u>\$467,660</u>	<u>\$0</u>	<u>\$11,001,050</u>
Governemental Activities Capital Assets, Net	<u>\$12,093,619</u>	<u>\$28,007,715</u>	<u>\$0</u>	<u>\$40,101,334</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$115,418
Special	427
Support Services	
Pupils	1,228
Instructional Staff	78,568
School Administration	7,030
Fiscal	0
Business	1,240
Operations & Maintenance	201,210
Pupil Transportation	407
Central	0
Operation of Non-Instructional Services	4,593
Extracurricular Activities	<u>57,539</u>
Total Depreciation Expense	<u>\$467,660</u>

NOTE H--CAPITALIZED LEASES - LESSEE

In prior years, the District has entered into capitalized leases for the acquisition of phone, office, musical and energy conservation equipment and building improvements. The terms of each equipment lease agreement provide options to purchase the equipment. The cost of equipment under capital lease at June 30, 2012 is \$985,668. The cost of building improvements under capital lease at June 30, 2012 is \$1,078,600. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee at the conclusion of the lease

term. Capital lease payments have been reclassified and are reflected as debt service in the basic financial statements for the governmental funds.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2012.

Year Ending <u>June 30</u>	Amount
2013	\$181,601
2014	174,692
2015	174,847
2016	173,926
2017	173,963
2018-2022	872,415
2023-2025	<u>272,495</u>
Total Minimum Lease Payments	2,023,939
Less: Amounts representing Interest	<u>444,846</u>
Present Value of Minimum Lease Payments	<u><u>\$1,579,093</u></u>

#### NOTE I-- LONG-TERM LIABILITIES

In 2011, the District issued \$39,800,000 of general obligation bonds. The purpose of the bonds was to provide general, ongoing permanent improvements consisting of building renovations, improvements and repair. The bond issue is a general obligation of the school district for which the full faith and credit of the school district is pledged for repayment.

In 2005, the District issued \$5,124,989 in general obligation refunding bonds to provide resources that were placed in an irrevocable trust for the purpose of providing resources for all future debt service payments of \$4,382,067 of general obligations bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets

In 2001, the District issued \$8,015,722 of general obligation bonds (which were partially refunded in 2005 as discussed above). The purpose of the bonds was to provide general, ongoing permanent improvements consisting of building renovations, improvements and repair. The bond issue is a general obligation of the school district for which the full faith and credit of the school district is pledged for repayment. The following is a description of the District's long term bonds outstanding as of June 30, 2012:

Purpose		Balance July 1, 2011	Addition	Retirement	Balance June 30, 2012
<b>Bonds:</b>					
<b>Permanent Improvement</b>					
2010 Issue		\$39,800,000	\$0	\$40,000	\$39,760,000
Interest Rate	5.9%- 6.55%				
Issue Date	8/26/2010				
Maturity Date	12/01/2047				
2005 Issue		4,634,989	0	80,000	4,554,989
Interest Rate	5.69%				
Issue Date	4/01/2005				
Maturity Date	12/01/2025				
2001 Issue		883,655	0	244,478	639,177
Interest Rate	6.34%				
Issue Date	8/01/2001				
Maturity Date	12/01/2026				

The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds:

Year Ending June 30,	Principal	Interest	Total
2013	\$476,755	\$1,514,213	\$1,990,968
2014	467,905	1,518,343	1,986,248
2015	459,518	1,521,599	1,981,117
2016	192,371	1,730,312	1,922,683
2017	156,076	1,737,005	1,893,081
2018-2022	2,431,541	6,972,755	9,404,296
2023-2027	13,885,000	5,940,592	19,825,592
2028-2032	4,795,000	5,191,273	9,986,273
2033-2037	7,150,000	4,064,799	11,214,799
2038-2042	5,380,000	2,732,959	8,112,959
2043-2047	7,835,000	1,403,059	9,238,059
2048	1,725,000	73,442	1,798,442
<b>Total</b>	<b>\$44,954,166</b>	<b>\$34,400,351</b>	<b>\$79,354,517</b>

**NOTE J--CHANGES IN LONG-TERM LIABILITIES**

During the year ended June 30, 2012, the following changes occurred in long-term liabilities:

	June 30, 2011	Additions	Deductions	June 30, 2012	Amounts Due in One Year
Governmental Activities:					
Bonds Payable	\$45,318,644		(\$364,478)	\$44,954,166	\$476,755
Less deferred amounts:					
For issuance premiums	1,200,825		(9,933)	1,190,892	
On refunding	(1,082,841)		18,690	(1,064,151)	
Compensated Absences	1,543,778	85,156	(500,418)	1,128,516	56,909
Capital Leases	1,711,104		(132,011)	1,579,093	115,033
Total Governmental Activities					
Long-Term Liabilities	<u>\$48,691,510</u>	<u>\$85,156</u>	<u>(\$988,150)</u>	<u>\$47,788,516</u>	<u>\$648,697</u>

Bonds will be paid from the Bond Retirement fund and capital leases will be paid from the General Fund.

**NOTE K--LEGAL DEBT MARGIN**

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

The effects of these debt limitations at June 30, 2012 are a voted debt margin of \$29,797,125 and an unvoted debt margin of \$331,079.

**NOTE L-EMPLOYEE RETIREMENT SYSTEMS**

**STATE TEACHERS RETIREMENT SYSTEM**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for survivor benefits. 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.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$1,383,048, \$1,430,324, and \$1,435,236 respectively; 83.4 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010. With \$229,145 representing the unpaid contribution for fiscal year 2012, it is recorded as a liability within the respective funds.

#### SCHOOL EMPLOYEES RETIREMENT SYSTEM

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 2012, 12.7 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$413,160 and \$375,956 and \$363,208, respectively. The District has contributed 83 percent for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010. With \$59,187 representing the unpaid contribution for fiscal year 2012, it is recorded as a liability within the respective funds.

#### NOTE M—POSTEMPLOYMENT BENEFITS

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

STRS Ohio administers a pension plan that is comprised of : a defined benefit plan; a self-directed defined contribution plan and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes 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](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. The 14% employer contribution rate is the maximum rate established under Ohio law. For fiscal year 2012, STRS allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$98,789, \$102,169, and \$121,143 respectively.

In addition to a cost-sharing multiple-employer defined benefit pension plan, the SERS administers two post-employment benefit plans.

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 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 2012 was \$99.90 for most participants, but could be as high as 319.17 per month depending on their income. SERS reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was .75%. Mariemont City School District contributions for the year ended June 30, 2012, 2011, and 2010 were \$3,098, \$2,857 and \$2,790, which equaled the required contributions for the year.

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, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' 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, 2012, the health care allocation was .55%. 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 an aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, 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. Mariemont City School District contributions for the years ended June 30, 2012, 2011, and 2010 were \$38,698, \$38,923, and \$54,606 respectively.

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

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

#### NOTE N--BUDGETARY BASIS OF ACCOUNTING

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

transactions on a basis of cash receipts and disbursements. A reconciliation of the nature and amounts of the adjustments necessary to convert the GAAP financial statements to the budgetary basis follows:

<u>Net Change in Fund Balance</u>	
	<u>General</u>
GAAP Basis	\$217,885
Adjustments	
Due to Revenues	161,033
Due to Expenditure and Encumbrances	(321,215)
Due to Other Financing Sources/Uses	<u>(2,736,366)</u>
Budget Basis	<u>(\$2,678,663)</u>

As part of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting, certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. These funds include the Adult Education Fund and the Uniform School Supplies Fund.

#### NOTE O--CONTINGENT LIABILITIES

##### GRANTS

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2012.

##### LITIGATION

Currently, no litigation is pending against the District.

#### NOTE P--JOINTLY GOVERNED ORGANIZATIONS

##### HAMILTON/CLERMONT COOPERATIVE ASSOCIATION

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

##### 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 operated under the direction of a Board, consisting of one representative from each of the participating school district's elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. Great Oaks was formed for the purpose of providing vocational education opportunities to the students of the member school districts, which includes the students of the District. The District has no ongoing financial interest in nor responsibility for Great Oaks. To obtain financial information, write to Great Oaks, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

**GREATER CINCINNATI INSURANCE CONSORTIUM**

For coverage related to certain benefits the District participates as a member of the Greater Cincinnati Insurance Consortium (GCIC), a shared risk pool, comprised of twelve Hamilton County School Districts and the Hamilton County Educational Service Center. Decisions concerning the operation of the consortium are made by a Board of Directors consisting of one representative selected from each participating member. Each member pays an administrative fee to the pool. Anthem Blue Cross Blue Shield provides claim review and processing.

**NOTE Q--RISK MANAGEMENT**

The District maintains comprehensive insurance coverage with private carriers for real property, building contents, vehicles and general liability insurance. Vehicle policies include liability coverage for bodily injury and property damage. Payments have not exceeded this coverage in any of the past three years. There has been no significant decline in coverage from the prior year.

**NOTE R – INTERFUND TRANSACTIONS**

During the year ended June 30, 2012, the General Fund made transfers of \$899,000 to non-major governmental funds. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE S – FUND BALANCES**

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

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Non Major Governmental</u>	<u>Total</u>
<b>Fund Balance</b>					
<i>Nonspendable</i>					
Inventory				\$5,481	\$5,481
<i>Restricted for</i>					
Budget Stabilization	140,000				140,000
Food Service Operations				21,121	21,121
Expendable Trust				98,281	98,281
Local Grants				22,097	22,097
District Managed Student Act.				84,636	84,636
Federal Grants				843	843
Bond Retirement		1,359,431			1,359,431
Permanent Improvements				9,982	9,982
Building Funds					0
<i>Total Restricted</i>	<u>140,000</u>	<u>1,359,431</u>	<u>0</u>	<u>236,960</u>	<u>1,736,391</u>
<i>Committed</i>					
Encumbrances	<u>161,178</u>		<u>8,144,148</u>	<u>83,620</u>	<u>8,388,946</u>
<i>Assigned to</i>					
Other Purposes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Unassigned</i>	<u>10,627,888</u>	<u>0</u>	<u>(2,736,172)</u>	<u>0</u>	<u>7,891,716</u>
<b>Total</b>	<u>\$10,929,066</u>	<u>\$1,359,431</u>	<u>\$5,407,976</u>	<u>\$326,061</u>	<u>\$18,022,534</u>

#### NOTE T – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2012, the District has implemented GASB Statement No. 57, “OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans”, and GASB Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions – an Amendment of GASB Statement No. 53”.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statement of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty’s credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

#### NOTE U – SUBSEQUENT EVENT

In July of 2012, the District issued \$1,995,000 in Certificates of Participation with an average interest rate of 3.05%. These Certificates have a final maturity date of December of 2030. The activity concerning the receipt and expenditure of these Certificates will be recorded in the Building Capital Projects Fund with the General Fund responsible for debt payments. The Certificates will fund additional components identified during the construction phase of the District’s current \$39.8 million building project.



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Mariemont City School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 6, 2013. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the 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, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting 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 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 material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 6, 2013.

We intend this report solely for the information and use of management, the audit committee, Board of Education, and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

February 6, 2013

**MARIEMONT CITY SCHOOL DISTRICT  
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-01	ORC 5705.41(B) – Expenditures plus encumbrances exceeded appropriations in the Building Fund.	Yes	

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# Dave Yost • Auditor of State

**MARIEMONT CITY SCHOOL DISTRICT**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 26, 2013**