

**MADEIRA CITY SCHOOL DISTRICT**

**General Purpose  
Financial Statements**

**June 30, 2001**





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Education  
Madeira City School District  
7465 Loannes Drive  
Madeira , Ohio 45243

We have reviewed the Independent Auditor's Report of the Madeira City School District, Hamilton County, prepared by Plattenburg & Associates, Inc, for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO  
Auditor of State

January 10, 2002

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**Independent Auditors' Report**

December 5, 2001

Board of Education  
Madeira City School District  
Madeira, Ohio

We have audited the accompanying general purpose financial statements of the Madeira City School District (the District), as of and for the year ended June 30, 2001. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

As described in the notes to the financial statements, the District adopted Governmental Accounting Standards Board Statement 33 as of and for the year ended June 30, 2001.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 5, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

  
Plattenburg & Associates, Inc.  
Certified Public Accountants

Madeira City School District  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Assets and Other Debits:</b>				
Equity in Pooled Cash and Investments	\$2,806,310	\$518,322	\$601,282	\$315,043
Receivables:				
Taxes	7,009,338	0	477,739	0
Intergovernmental	0	2,671	0	0
Accounts	7,615	0	0	0
Interfund Receivable	10,000	0	0	0
Inventory	0	0	0	0
Fixed Assets ( Net, where applicable, of				
Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for				
Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided for Retirement of General				
Long-Term Obligations	0	0	0	0
<b>Total Assets &amp; Other Debits</b>	<b>\$9,833,263</b>	<b>\$520,993</b>	<b>\$1,079,021</b>	<b>\$315,043</b>
<b>Liabilities, Fund Equity &amp; Other Credits:</b>				
Liabilities:				
Accounts Payable	\$9,732	\$1,944	\$0	\$4,970
Accrued Wages & Benefits	1,363,464	59,144	0	0
Compensated Absences Payable	46,911	0	0	0
Interfund Payable	0	10,000	0	0
Deferred Revenue	5,184,338	2,671	369,439	0
Due to Students	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Notes Payable	0	0	0	0
<b>Total Liabilities</b>	<b>6,604,445</b>	<b>73,759</b>	<b>369,439</b>	<b>4,970</b>
<b>Fund Equity &amp; Other Credits:</b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	11,911	65,129	0	126,414
Reserved for Property Tax Advances	1,825,000	0	108,300	0
Unreserved & Undesignated	1,391,907	382,105	601,282	183,659
<b>Total Fund Equity &amp; Other Credits</b>	<b>3,228,818</b>	<b>447,234</b>	<b>709,582</b>	<b>310,073</b>
<b>Total Liabilities, Fund Equity &amp; Other Credits</b>	<b>\$9,833,263</b>	<b>\$520,993</b>	<b>\$1,079,021</b>	<b>\$315,043</b>

See accompanying notes.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$159,936	\$12,123	\$46,816	\$0	\$0	\$4,459,832
0	0	0	0	0	7,487,077
2,679	0	0	0	0	5,350
0	0	0	0	0	7,615
0	0	0	0	0	10,000
2,942	0	0	0	0	2,942
40,217	0	0	8,955,260	0	8,995,477
0	0	0	0	709,582	709,582
0	0	0	0	4,916,440	4,916,440
<u>\$205,774</u>	<u>\$12,123</u>	<u>\$46,816</u>	<u>\$8,955,260</u>	<u>\$5,626,022</u>	<u>\$26,594,315</u>
\$1,696	\$440	\$240	\$0	\$0	\$19,022
44,652	0	0	0	25,818	1,493,078
2,717	0	0	0	135,942	185,570
0	0	0	0	0	10,000
1,660	0	0	0	0	5,558,108
0	0	37,456	0	0	37,456
0	0	0	0	5,395,000	5,395,000
0	0	0	0	69,262	69,262
<u>50,725</u>	<u>440</u>	<u>37,696</u>	<u>0</u>	<u>5,626,022</u>	<u>12,767,496</u>
0	0	0	8,955,260	0	8,955,260
155,049	11,683	0	0	0	166,732
0	0	0	0	0	203,454
0	0	0	0	0	1,933,300
0	0	9,120	0	0	2,568,073
<u>155,049</u>	<u>11,683</u>	<u>9,120</u>	<u>8,955,260</u>	<u>0</u>	<u>13,826,819</u>
<u>\$205,774</u>	<u>\$12,123</u>	<u>\$46,816</u>	<u>\$8,955,260</u>	<u>\$5,626,022</u>	<u>\$26,594,315</u>

Madeira City School District  
 Combined Statement of Revenues, Expenditures  
 And Changes in Fund Balance  
 All Governmental Fund Types and Expendable Trust Funds  
 For the Year Ended June 30, 2001

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
Taxes	\$7,015,338	\$0	\$423,339	\$0	\$0	\$7,438,677
Intergovernmental	3,620,866	671,131	61,926	48,301	0	4,402,224
Investment	188,405	4,106	36,374	18,197	0	247,082
Tuition & Fees	22,310	0	0	0	0	22,310
Extracurricular Activities	0	303,555	0	0	1,656	305,211
Miscellaneous	50,984	39,409	0	0	2,569	92,962
<b>Total Revenues</b>	<b>10,897,903</b>	<b>1,018,201</b>	<b>521,639</b>	<b>66,498</b>	<b>4,225</b>	<b>12,508,466</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	5,405,244	91,778	0	39,265	0	5,536,287
Special	835,964	154,200	0	0	0	990,164
Vocational	0	3,275	0	0	0	3,275
Other	15,317	0	0	0	0	15,317
<b>Support Services:</b>						
Pupils	655,767	59,361	0	0	4,516	719,644
Instructional Staff	307,481	140,591	0	0	1,239	449,311
Board of Education	14,822	0	0	0	0	14,822
Administration	906,583	0	0	0	0	906,583
Fiscal	258,300	0	6,186	0	0	264,486
Business	83,072	0	0	0	0	83,072
Operation & Maintenance of Plant	957,965	0	0	23,516	0	981,481
Pupil Transportation	587,176	0	0	0	0	587,176
Central	41,721	13,400	0	0	0	55,121
Operation of Non-Instructional Services	2,559	227,463	0	0	456	230,478
Extracurricular Activities	240,981	193,467	0	0	0	434,448
Capital Outlay	0	0	0	224,499	0	224,499
<b>Debt Service:</b>						
Principal Retirement	0	0	208,738	0	0	208,738
Interest & Fiscal Charges	0	0	329,070	0	0	329,070
<b>Total Expenditures</b>	<b>10,312,952</b>	<b>883,535</b>	<b>543,994</b>	<b>287,280</b>	<b>6,211</b>	<b>12,033,972</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>584,951</b>	<b>134,666</b>	<b>(22,355)</b>	<b>(220,782)</b>	<b>(1,986)</b>	<b>474,494</b>
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	8,115	0	0	0	0	8,115
Operating Transfers In	0	0	48,975	50,000	0	98,975
Operating Transfers (Out)	(113,975)	0	0	0	0	(113,975)
<b>Total Other Financing Sources (Uses)</b>	<b>(105,860)</b>	<b>0</b>	<b>48,975</b>	<b>50,000</b>	<b>0</b>	<b>(6,885)</b>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures &amp; Other Financing Uses</b>	<b>479,091</b>	<b>134,666</b>	<b>26,620</b>	<b>(170,782)</b>	<b>(1,986)</b>	<b>467,609</b>
<b>Fund Balance, Beginning of Year</b>	<b>2,749,727</b>	<b>312,568</b>	<b>682,962</b>	<b>480,855</b>	<b>11,106</b>	<b>4,237,218</b>
<b>Fund Balance, End of Year</b>	<b>\$3,228,818</b>	<b>\$447,234</b>	<b>\$709,582</b>	<b>\$310,073</b>	<b>\$9,120</b>	<b>\$4,704,827</b>

See accompanying notes.



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Madeira City School District  
 Combined Statement of Revenues, Expenditures  
 And Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 All Governmental Fund Types  
 For the Year Ended June 30, 2001

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$7,009,338	\$7,009,338	\$0	\$0	\$0	\$0
Intergovernmental	3,622,177	3,622,066	(111)	670,265	671,131	866
Investment	199,553	188,405	(11,148)	4,511	4,106	(405)
Tuition & Fees	19,100	22,310	3,210	0	0	0
Extracurricular Activities	0	0	0	297,327	303,555	6,228
Miscellaneous	48,510	50,984	2,474	39,413	39,409	(4)
<b>Total Revenues</b>	<b>10,898,678</b>	<b>10,893,103</b>	<b>(5,575)</b>	<b>1,011,516</b>	<b>1,018,201</b>	<b>6,685</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	5,366,506	5,377,325	(10,819)	99,034	93,404	5,630
Special	819,879	817,772	2,107	166,392	153,555	12,837
Vocational	0	0	0	13,500	9,439	4,061
Other	31,112	14,484	16,628	0	0	0
<b>Support Services:</b>						
Pupils	666,382	662,122	4,260	86,761	59,752	27,009
Instructional Staff	342,014	338,641	3,373	180,469	142,191	38,278
Board of Education	17,535	14,822	2,713	0	0	0
Administration	820,752	824,947	(4,195)	0	0	0
Fiscal	261,278	251,945	9,333	0	0	0
Business	85,416	85,382	34	0	0	0
Operation & Maintenance of Plant	982,899	959,813	23,086	0	0	0
Pupil Transportation	556,526	588,550	(32,024)	0	0	0
Central	47,271	52,055	(4,784)	13,400	13,400	0
Operation of Non-Instructional Services	3,122	2,559	563	220,000	274,757	(54,757)
Extracurricular Activities	239,308	241,000	(1,692)	250,000	200,374	49,626
Capital Outlay	0	0	0	0	0	0
<b>Debt Service:</b>						
Principal Retirement	0	0	0	0	0	0
Interest & Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>10,240,000</b>	<b>10,231,417</b>	<b>8,583</b>	<b>1,029,556</b>	<b>946,872</b>	<b>82,684</b>
<b>Excess (Deficiency) of Revenues Over Under Expenditures</b>	<b>658,678</b>	<b>661,686</b>	<b>3,008</b>	<b>(18,040)</b>	<b>71,329</b>	<b>89,369</b>
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	500	500	0	0	0	0
Operating Transfers In	0	0	0	0	0	0
Operating Transfers (Out)	(114,010)	(113,975)	35	0	0	0
Advances In	7,500	7,500	0	31,490	31,490	0
Advances (Out)	(31,490)	(31,490)	0	(7,500)	(7,500)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(137,500)</b>	<b>(137,465)</b>	<b>35</b>	<b>23,990</b>	<b>23,990</b>	<b>0</b>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures &amp; Other Financing Uses</b>	<b>521,178</b>	<b>524,221</b>	<b>3,043</b>	<b>5,950</b>	<b>95,319</b>	<b>89,369</b>
<b>Fund Balance, Beginning of Year (Includes Prior Year Encumbrances Appropriated)</b>	<b>2,260,445</b>	<b>2,260,445</b>	<b>0</b>	<b>355,929</b>	<b>355,929</b>	<b>0</b>
<b>Fund Balance, End of Year</b>	<b>\$2,781,623</b>	<b>\$2,784,666</b>	<b>\$3,043</b>	<b>\$361,879</b>	<b>\$451,248</b>	<b>\$89,369</b>

See accompanying notes.

Debt Service			Capital Projects			Totals (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$477,739	\$477,739	\$0	\$0	\$0	\$0	\$7,487,077	\$7,487,077	\$0
61,926	61,926	0	48,300	48,301	1	4,402,668	4,403,424	756
36,372	36,374	2	18,425	18,197	(228)	258,861	247,082	(11,779)
0	0	0	0	0	0	19,100	22,310	3,210
0	0	0	0	0	0	297,327	303,555	6,228
0	0	0	0	0	0	87,923	90,393	2,470
576,037	576,039	2	66,725	66,498	(227)	12,552,956	12,553,841	885
0	0	0	48,300	50,590	(2,290)	5,513,840	5,521,319	(7,479)
0	0	0	0	0	0	986,271	971,327	14,944
0	0	0	0	0	0	13,500	9,439	4,061
0	0	0	0	0	0	31,112	14,484	16,628
0	0	0	0	0	0	753,143	721,874	31,269
0	0	0	0	0	0	522,483	480,832	41,651
0	0	0	0	0	0	17,535	14,822	2,713
0	0	0	0	0	0	820,752	824,947	(4,195)
6,490	6,186	304	0	0	0	267,768	258,131	9,637
0	0	0	0	0	0	85,416	85,382	34
0	0	0	75,000	23,516	51,484	1,057,899	983,329	74,570
0	0	0	0	0	0	556,526	588,550	(32,024)
0	0	0	0	0	0	60,671	65,455	(4,784)
0	0	0	0	0	0	223,122	277,316	(54,194)
0	0	0	0	0	0	489,308	441,374	47,934
0	0	0	306,500	339,587	(33,087)	306,500	339,587	(33,087)
208,738	208,738	0	0	0	0	208,738	208,738	0
329,072	329,070	2	0	0	0	329,072	329,070	2
544,300	543,994	306	429,800	413,693	16,107	12,243,656	12,135,976	107,680
31,737	32,045	308	(363,075)	(347,195)	15,880	309,300	417,865	108,565
0	0	0	0	0	0	500	500	0
48,975	48,975	0	50,000	50,000	0	98,975	98,975	0
0	0	0	0	0	0	(114,010)	(113,975)	35
0	0	0	0	0	0	38,990	38,990	0
0	0	0	0	0	0	(38,990)	(38,990)	0
48,975	48,975	0	50,000	50,000	0	(14,535)	(14,500)	35
80,712	81,020	308	(313,075)	(297,195)	15,880	294,765	403,365	108,600
520,261	520,261	0	480,854	480,854	0	3,617,489	3,617,489	0
\$600,973	\$601,281	\$308	\$167,779	\$183,659	\$15,880	\$3,912,254	\$4,020,854	\$108,600

Madeira City School District  
 Combined Statement of Revenues, Expenses  
 And Changes in Retained Earnings  
 All Proprietary Fund Types  
 For the Year Ended June 30, 2001

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
Operating Revenues:			
Charges for Services	\$265,974	\$44,291	\$310,265
Tuition & Fees	70,793	0	70,793
<b>Total Operating Revenues</b>	<b>336,767</b>	<b>44,291</b>	<b>381,058</b>
Operating Expenses:			
Salaries	274,669	0	274,669
Fringe Benefits	84,425	0	84,425
Purchased Services	251,567	18,280	269,847
Materials & Supplies	152,244	2,960	155,204
Depreciation	5,083	0	5,083
Other Operating Expenses	0	21,498	21,498
<b>Total Operating Expenses</b>	<b>767,988</b>	<b>42,738</b>	<b>810,726</b>
<b>Operating Income (Loss)</b>	<b>(431,221)</b>	<b>1,553</b>	<b>(429,668)</b>
Non-Operating Revenues (Expenses):			
Investment Revenue	159	0	159
Miscellaneous Revenue	286,556	906	287,462
Donated Commodities	14,255	0	14,255
Operating Grants - State & Local	378	0	378
Operating Grants - Federal	18,860	0	18,860
<b>Total Non-Operating Revenues</b>	<b>320,208</b>	<b>906</b>	<b>321,114</b>
<b>Income (Loss) before Operating Transfers</b>	<b>(111,013)</b>	<b>2,459</b>	<b>(108,554)</b>
<b>Operating Transfers In</b>	<b>15,000</b>	<b>0</b>	<b>15,000</b>
<b>Net Income</b>	<b>(96,013)</b>	<b>2,459</b>	<b>(93,554)</b>
<b>Retained Earnings (Restated), Beginning of Year</b>	<b>251,062</b>	<b>9,224</b>	<b>260,286</b>
<b>Retained Earnings, End of Year</b>	<b>\$155,049</b>	<b>\$11,683</b>	<b>\$166,732</b>

See accompanying notes.

Madeira City School District  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types  
 For the Year Ended June 30, 2001

	Proprietary Fund Types		Totals (Memorandum only)
	Enterprise	Internal Service	
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Tuition & Fees	\$70,793	\$0	\$70,793
Cash Received from Charges for Services	265,974	44,291	310,265
Cash Payments for Personal Services	(356,779)	0	(356,779)
Cash Payments for Contract Services	(251,567)	(17,840)	(269,407)
Cash Payments for Supplies & Materials	(139,788)	(2,960)	(142,748)
Cash Payments for Other Expenses	0	(21,878)	(21,878)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(411,367)</b>	<b>1,613</b>	<b>(409,754)</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash Received from Other Funds	15,000	0	15,000
Cash Received from Operating Grants	16,559	0	16,559
Cash Received from Investment Earnings	159	0	159
Other	286,556	906	287,462
<b>Net Cash Provided (Used) by Non-Capital Financing     Activities</b>	<b>318,274</b>	<b>906</b>	<b>319,180</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(93,093)</b>	<b>2,519</b>	<b>(90,574)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>253,029</b>	<b>9,604</b>	<b>262,633</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$159,936</b>	<b>\$12,123</b>	<b>\$172,059</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating Income (Loss)	(\$431,221)	\$1,553	(\$429,668)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>			
Depreciation	5,083	0	5,083
Donated Commodities Used	14,255	0	14,255
<b>Changes in Assets and Liabilities:</b>			
(Increase) Decrease in Materials & Supplies Inventory	21	0	21
Increase (Decrease) in Accounts Payable	(1,128)	60	(1,068)
Increase (Decrease) in Accrued Wages & Benefits	1,986	0	1,986
Increase (Decrease) in Compensated Absences Payable	329	0	329
Increase (Decrease) in Deferred Revenue	(692)	0	(692)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(411,367)</b>	<b>\$1,613</b>	<b>(409,754)</b>

See accompanying notes.

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

### MADEIRA CITY SCHOOLS JUNE 30, 2001

#### A. DESCRIPTION OF THE DISTRICT

The District was chartered by the Ohio State Legislature. In 1949 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 authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by 32.88 non-certificated personnel and 107.18 certificated full time teaching and 7 administrative personnel to provide services to students and other community members.

The District is the 2<sup>nd</sup> smallest in Hamilton County in terms of enrollment. It currently operates 1 elementary school, 1 middle school (grades 4-6), 1 junior/senior high school (grades 7-12).

#### B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### THE REPORTING ENTITY

For financial reporting purposes the District's financial statements include the primary government. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e. the District) are financially accountable. The District would consider an organization to be a component unit if:

1. The District appoints a voting majority of the organization's governing body AND (a) is able to impose its will on that organization OR (b) there is a potential for the organization to provide specific financial burdens on the District; OR
2. The organization is fiscally dependent upon the District; OR

3. The nature of the relationship between the District and the organization is such that the exclusion from the financial reporting entity would render the financial statements of the District misleading.

The District had no component units.

The following activities are included within the reporting entity:

#### *Parochial Schools*

Within the School District boundaries, St. Gertrude Elementary School is operated as a private school. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. The activity of this State money by the School District is reflected in a special revenue fund for financial reporting purposes.

The School District is associated with four organizations, of which three are defined as jointly governed organizations, and the fourth as an insurance purchasing pool. These organizations include the Hamilton/Clermont Cooperative Association/Unified Purchasing Association, Great Oaks Joint Vocational School, Hamilton/Clermont Cooperative Association/Computer Consortium, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes L and M to the general purpose financial statements.

#### BASIS OF PRESENTATION - FUND ACCOUNTING

The account of the District are maintained on the basis of fund and account groups, each of which is considered a separate accounting entity. The operation of each fund is accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The following fund types and account groups are used by the District:

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

##### General Fund

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

### Special Revenue Funds

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

### Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Ohio Revised Code.

### Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or Construction of major capital facilities (other than those financed by Proprietary Funds).

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

#### Enterprise Funds

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

#### Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost reimbursement basis.

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



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

General Fixed Assets Account Group

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

General Long Term Obligations Account Group

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

MEASUREMENT FOCUS/BASIS OF ACCOUNTING

*Measurement Focus:*

Governmental Fund Types and Expendable Trust Funds are accounted for on a spending, or "financial flow," measurement focuses. Governmental Fund Types and Expendable Trust Funds operating statements represent increases and decreases in net current assets. Their reported fund balances are considered a measure of available spendable resources.

Proprietary Fund Types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary Fund Types income statements represent increases and decreases in net total assets.

*Basis of Accounting:*

The modified accrual basis of accounting is followed for Governmental, Expendable Trust, and Agency Funds. Under this basis of accounting revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after fiscal year end. Revenue accrued at the end of the fiscal year included property taxes, interest, tuition, and state and federal grants. Property taxes measurable as of June 30, 2001 whose availability is indeterminable, and are available to the District within 60 days and which are intended to finance fiscal 2002 operations, have been recorded as deferred revenues. Expenditures are recognized in the period in which the related fund liability is incurred, except interest on long-term debt which is recorded when due.

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

## BUDGETARY DATA

### *Budgetary Basis of Accounting:*

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

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

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

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

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

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

Prior to March 15, the Board of Education accepts by formal resolution, the tax rates as determined by the Budget Commission and received 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 amounts set forth in the Final Amended Certificate.

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

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

Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.

Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocate or increase the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2000-01 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. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

## 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. 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.

## CASH AND INVESTMENTS

Cash received by the District is deposited in two bank accounts with individual fund balance integrity maintained throughout. Monies for all funds are maintained in these accounts or are temporarily used to purchase short-term cash equivalent investments (maturity date within three months of the date acquired), which are state at cost. State statute authorizes the District to invest in obligations of the U.S. Treasury, commercial paper and repurchase agreements.

Under existing Ohio statutes, all investment earnings accrue to the General Fund except those specifically related to Agency Fund Auxiliary Services, Student Activities, Enterprise Funds accrued to Food Service, and those funds individually authorize by Board resolution.

For purposes of the Statement of Cash Flows (GASB Statement No. 9), the District considers the Proprietary Fund portion of pooled cash and investments to be a cash equivalent because the Proprietary Funds may withdraw cash from the pool at any time without prior penalty or notice.

Investments in the District's cash and investments are stated at fair value as determined by quoted market prices.

#### RESTRICTED EQUITY IN POOLED CASH & INVESTMENTS

Restricted equity in Pooled Cash & Investments in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve and textbook reserve. These reserves are required by State Statute and can only be used after receiving approval from the State Superintendent of Public Instruction. For fiscal year 2001, no reserve was required.

#### ESTIMATES

The preparation of the 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 could differ from those estimates.

#### INVENTORY (MATERIALS AND SUPPLIES)

Inventories are valued at lower cost (First-in, First-out) or market and are determined by physical count. Inventories are expensed when used rather than when purchased.

#### FIXED ASSETS AND DEPRECIATION

General Fixed Assets Account Group - General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than 5 years. Assets in the general fixed asset account groups are not depreciated. The school does not have any infrastructure.

Proprietary Funds - Property, plant and equipment reflected in the Proprietary Funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following useful lives:

Asset	Life (years)
Furniture, Fixtures and Equipment	5 to 20

## INTERGOVERNMENTAL REVENUES

In Governmental Funds, non-reimbursable grants are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations are recognized as revenue when measurable and earned.

## INTERFUND TRANSACTIONS

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

- Routine transfers of resources from one fund to another fund through which resources to be expended are recorded as operating transfers.
- Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and as a reduction in expenditures/expenses in the reimbursed fund.
- Short-term interfund loans are reflected as interfund payables/receivables, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds. The District has no long-term interfund loans or advances at June 30, 2001.

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$10,000	
Special Revenue: Project Discovery		\$10,000

## COMPENSATED ABSENCES

GASB Statement No. 16 specified 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</u>	<u>Non-Certificated</u>
How earned	Not Eligible	15-20 days for each service year depending on length of service.	10-15 days for each service year depending on length of service.
Maximum Accumulation	Not Applicable	15-20 days	10-15 days
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination

Sick Leave

How Earned	1¼ days per month of employment (15days per year)	1¼ days per month of employment (15days per year)	1¼ days per month of employment (15 days per year)
Maximum Accumulation	220	220	220
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

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

**LONG-TERM OBLIGATIONS**

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long Term Obligations Account Group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

## FUND BALANCE RESERVES

The School District reserves fund balance for amounts that are legally segregated for a specific purpose or which are not available for appropriation. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes, and state mandated budgetary set-asides. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

## MEMORANDUM ONLY-TOTAL COLUMNS

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

## PROPRIETARY FUND ACCOUNTING

In accordance with GASB Statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that Use Proprietary Fund Accounting", the District applies all GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board of Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

## **C. EQUITY IN POOLED CASH AND INVESTMENTS**

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

State statutes classify monies held by the School 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 School 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 deposit accounts including, but not limited to, passbook accounts.

Interim deposits are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must

be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including passbook accounts.

Protection of School 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.

State legislation now permits interim monies to 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 issuance's of federal government agencies or instrumentality's;
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 market 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; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of



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 School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

*Deposits*

At year-end, the carrying amount of the District's deposits was \$600,000 and the bank balance was \$667,532. Of the bank balances, \$100,000 was covered by federal depository insurance and the remaining amounts were covered by collateral held by the pledging banks' trust department pursuant to Section 135.181, Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions. Ohio Revised Code Section 135.181 Uniform Depository Act, authorized pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure payment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal depository insurance. The deposits not covered by federal depository insurance are considered uninsured and uncollateralized under the provisions of GASB Statement No. 3.

*Investments*

The District's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. CATEGORY 1 includes investments that are issued or registered or for which the securities are held by the District or its agent in the District's name. CATEGORY 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name. CATEGORY 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its department or agent, but not in the District's name.

	<u>Category</u>	<u>Fair Value</u>
U.S. Agencies	2	\$1,564,402
Money Market Mutual Fund	*	202,652
Repurchase Agreement	3	<u>2,092,778</u>
<b>Total</b>		<b><u>\$3,859,832</u></b>

(\*) The District's investment in money market mutual funds is unclassified because they are not evidenced by entries that exist in physical or book entry form.

**E. FIXED ASSETS**

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

	<u>June 30, 2000</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2001</u>
Land	\$ 402,381	\$ 0	\$ 0	\$ 402,381
Buildings	6,783,453	0	0	6,783,453
Furniture Fixtures/Equipment	<u>1,640,179</u>	<u>161,729</u>	<u>(32,482)</u>	<u>1,769,426</u>
Total	<u>\$ 8,826,013</u>	<u>\$161,729</u>	<u>(\$32,482)</u>	<u>\$ 8,955,260</u>

A summary of the Proprietary Fund fixed assets at June 30, 2001 follows:

Furniture and Equipment	\$ 89,070
Less Accumulated Depreciation	<u>(48,853)</u>
Net Fixed Assets - Proprietary Fund	<u>\$ 40,217</u>

**F. DEBT**

Long Term

The District has issued unvoted general obligation energy conservation notes for the purpose of providing energy savings to the District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372.

The following is a description of the district's bonds outstanding as of June 30, 2001:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance June 30, 2000</u>	<u>Increase (Decrease) 2001</u>	<u>Balance June 30, 2001</u>
Energy Saving Renewal Note	4.95%	4/10/96	4/10/01	\$39,000	(\$39,000)	0
Energy Saving Note	5.00%	7/01/95	6/30/05	84,000	(14,738)	69,262
General Obligation Bond	5.75%	5/01/97	12/01/16	<u>5,550,000</u>	<u>(155,000)</u>	<u>5,395,000</u>
TOTAL				<u>\$5,673,000</u>	<u>(\$208,738)</u>	<u>\$5,464,262</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	185,711	314,804	500,515
2003	201,736	305,619	507,355
2004	217,824	295,466	513,290
2005	238,991	284,300	523,291
2006	235,000	272,420	507,420
2007-2017	<u>4,385,000</u>	<u>1,740,132</u>	<u>6,125,132</u>
Total	<u>\$5,464,262</u>	<u>\$3,212,741</u>	<u>\$8,677,003</u>

#### **G. CHANGES IN THE GENERAL LONG TERM OBLIGATIONS ACCOUNT GROUP**

During year ended June 30, 2001, the following changes occurred in liabilities reported in the General Long Term Obligations Account Group. Compensated absences will be paid from the fund from which the employee is paid.

	<u>July 1, 2000</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2001</u>
Compensated Absences:				
Sick Leave & Vacation Leave	\$ 151,424	\$ 0	\$ 15,482	\$ 135,942
Accrued Wages & Benefits	50,486	0	24,668	25,818
General Obligation Debt:				
Notes	123,000	0	53,738	69,262
Bonds	<u>5,550,000</u>	<u>0</u>	<u>155,000</u>	<u>5,395,000</u>
Total	<u>\$5,874,910</u>	<u>\$ 0</u>	<u>\$ 248,888</u>	<u>\$5,626,022</u>

#### **H. SEGMENT INFORMATION**

Enterprise Funds - The District maintains three Enterprise Funds to account for the operations of Food Service, Uniform Supply, and Latchkey. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year-end June 30, 2001.

	<u>Food Service</u>	<u>Uniform Supply</u>	<u>Latch Key</u>	<u>Total</u>
Operating Revenues	\$ 265,975	\$ 70,792	\$ 0	\$336,767
Operating expenses before depreciation	317,947	76,966	367,992	762,905
Depreciation	5,083	0	0	5,083
Operating Loss	(57,055)	(6,174)	(367,992)	(431,221)
Donated Commodities	14,255	0	0	14,255
Operating Grants	19,238	0	0	19,238
Miscellaneous Revenue	0	0	286,556	286,556
Investment Revenue	159	0	0	159
Transfer In	15,000	0	0	15,000
Net Income (Loss)	(8,403)	(6,174)	(81,436)	(96,013)
Net Working Capital	(44,061)	22,248	136,615	114,802
Total Assets	45,880	22,563	137,331	205,774
Total Liability	49,694	315	716	50,725
Total Equity	(3,814)	22,248	136,615	155,049

## **I. DEFINED BENEFIT PENSION PLANS**

### **A. School Employees Retirement System**

The Madeira City School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and the Madeira City School District is required to contribute at an actuarially determined rate. The current

rate if 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions to SERS for the years ending June 30, 2001, 2000, and 1999 were \$151,734, \$159,326, and \$139,261 respectively, 62% has been contributed for fiscal year 2001 and 100% for fiscal years 2000 and 1999. \$57,792 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

#### **B. State Teachers Retirement System**

The Madeira City School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer defined benefit 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.

Plan members are required to contribute 9.3% of their annual covered salary and the Madeira City School District is required to contribute 14%. 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion to fund pension obligations was 12%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions to STRS for the years ending June 30, 2001, 2000 and 1999 were \$847,656, \$784,350, and \$716,773 respectively, 83.4% has been contributed for fiscal year 2001 and 100% for fiscal years 2000 and 1999. \$141,120 represents the unpaid contribution for fiscal year 2001, and is recorded as a liability within the respective funds.

#### **J. POST EMPLOYMENT BENEFITS**

The School district provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement Systems (STRS) and to retired non-certificated employees and their dependents through the School Employees Retirement System (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 System based on authority granted by State statute. Both Systems are funded on a pay-as-you go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The Retirement Board allocates employer contributions equal to 8% of covered payroll to the Health

Care Reserve Fund. The Health Care Reserve Allocation for the year ended June 30, 2001 will be 4.5% of covered payroll.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.149 billion at June 30, 2000. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS and 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.45% of covered payroll, an increase from 6.3% for fiscal year 2000. In addition, SRS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000, were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000 SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

## K. 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 of the budgetary basis follows:

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

<u>Governmental Fund Types</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects</u>
GAAP Basis	\$479,091	\$134,666	\$26,620	(\$170,782)
Net Adjustment for Revenue Accruals	(4,915)	31,490	54,400	0
Net Adjustment for Expenditure Accruals	71,688	(3,765)	0	4,971

Net Adjustment for Encumbrances	<u>(21,643)</u>	<u>(67,072)</u>	<u>0</u>	<u>(131,384)</u>
Budgetary Basis	<u>\$524,221</u>	<u>\$ 95,319</u>	<u>\$81,020</u>	<u>(\$297,195)</u>

**L. JOINTLY GOVERNED ORGANIZATIONS**

*Hamilton Clermont Cooperative Association/Unified Purchasing Association*

The Hamilton Clermont Cooperative Association Unified Purchasing Association is a jointly governed organization among a two county consortium of school districts. The Unified Purchasing Cooperative was organized under the Hamilton Clermont Cooperative Association to benefit member districts with a more economically sound purchasing mechanism for general school, office, and cafeteria supplies. The Unified Purchasing Cooperative organization is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments.

*Great Oaks Joint Vocational School*

The Great Oaks Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative each of the participating school districts' elected board. The Vocational School possesses its own budgeting and taxing authority. To obtain financial information write to the Great Oaks Joint Vocational School, John Wahle, who serves as Treasurer, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

*Hamilton/Clermont Cooperative Association*

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

**M. INSURANCE PURCHASING POOL**

*Ohio School Boards Association Workers' Compensation Group Rating Plan*

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-elect

and Immediate Past President of OSBA. The Executive Director of OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee for the GRP to cover the costs of administering the program.

## **N. 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 required compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material 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, 2001.

## **O. SCHOOL FUNDING DECISION**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to schools districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of the fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of October 26, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changed be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.



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

**P. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2001, the District contracted with The Cincinnati Insurance Co., Crum & Forster Insurance, and Nationwide Insurance Company for property and general liability insurance and boiler machinery insurance.

Boiler and machinery coverage has a \$250.00 deductible. General liability is provided by Nationwide Insurance Company with \$2,000,000 each occurrence \$5,000,000 aggregate limit. Vehicles are covered by Nationwide Insurance Company with a \$500 deductible. Public official bond insurance is provided by Ohio Casualty Insurance Company. The Treasurer, is covered by a bond in the amount of \$50,000. The Superintendent and Board President are covered by bonds in the amount of \$20,000 each. The District has elected to provide employee medical, dental and life insurance through Greater Cincinnati Insurance Consortium. The employees share the cost of the monthly premium for the coverage with the Board.

There were no significant reductions in insurance coverage from the prior year. Also, there were no settlements that exceeded insurance coverage for the past three fiscal years.

**Q. ACCOUNTABILITY AND COMPLIANCE**

Compliance

The following funds had actual expenditures in excess of appropriations plus prior year encumbrances.

<u>Fund/Fund Type/Function</u>	<u>Excess</u>
General:	
Regular	\$10,819
Administration	4,195
Pupil Transportation	32,024
Central	4,784
Extracurricular	1,692
Special Revenue:	
Auxiliary Services	
Operation of Non-Instructional Service	54,757
Capital Projects:	
Permanent Improvement	
Capital Outlay	33,087
School Net	
Regular	2,290

**R. STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue funds, as defined, into various reserves. During the fiscal year end June 30, 2001, the reserve activity (cash basis) was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>
Set-Aside Balance 7/1/00	(\$11,041)	\$ 0	\$150,811
Required Set-Aside	233,254	233,254	0
Offset Credits	0	(50,000)	(150,811)
Qualifying Expenditures	<u>(259,981)</u>	<u>(183,254)</u>	<u>0</u>
Set aside Cash Balance 6/30/01			
Carried forward to future fiscal years	<u>(\$37,768)</u>	<u>\$ 0</u>	<u>\$ 0</u>
Set aside Reserve Balances 6/30/01	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts for capital maintenance reserve to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Qualifying disbursements for capital maintenance reserve during the year were \$514,165, which exceeded the required set-aside and reserve balance.

**S. CHANGES IN ACCOUNTING PRINCIPLES**

*Changes in Accounting Principles*

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions." At June 30, 2000, there was no effect on fund balance as a result of implementing GASB 33.

**T. PRIOR PERIOD ADJUSTMENT**

The beginning fixed asset balance of the general fixed asset account group and the beginning retained earnings of the enterprise fund have been adjusted for corrections to the fixed asset detail as follows:

	<u>Enterprise Fund</u>	<u>General Fixed Assets Account Group</u>
Balance Previously stated, June 30, 2000	\$210,087	\$10,377,164
Prior Period Adjustment	<u>40,975</u>	<u>(1,551,151)</u>
As Restated, July 1, 2000	<u>\$251,062</u>	<u>\$ 8,826,013</u>

**MADEIRA CITY SCHOOL DISTRICT**

**Single Audit Reports**

**June 30, 2001**

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**Report on compliance and on internal control over financial reporting  
based on an audit of financial statements performed in accordance with  
*Government Auditing Standards***

December 5, 2001

Board of Education  
Madeira City School District

We have audited the general purpose financial statements of the Madeira City School District, (the District), as of and for the year ended June 30, 2001, and have issued our report thereon dated December 5, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their

necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

A handwritten signature in cursive script that reads "Plattenburg & Associates, Inc.".

Plattenburg & Associates, Inc.  
Certified Public Accountants



**Report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133**

December 5, 2001

Board of Education  
Madeira City School District

Compliance

We have audited the compliance of the District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results portion of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulation, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

### Internal Control Over Compliance

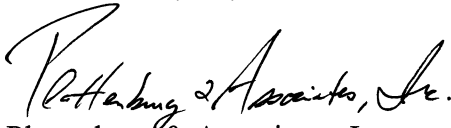
The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

### Schedule of Federal Awards Expenditures

We have audited the general purpose financial statements of the District as of and for the year ended June 30, 2001, and have issued our report thereon dated December 5, 2001. Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the District taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by *OMB Circular A-133* and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

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



Plattenburg & Associates, Inc.  
Certified Public Accountants



**MADEIRA CITY SCHOOL DISTRICT**  
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
Passed Through Ohio Department of Education:						
Child Nutrition Cluster:						
Food Distribution Program	03-PU	10.550	\$0	\$14,255	\$0	\$14,255
National School Lunch Program	04-PU	10.555	16,181	0	16,181	0
Total U.S. Department of Agriculture - Nutrition Cluster			16,181	14,255	16,181	14,255
<b>U.S. DEPARTMENT OF EDUCATION</b>						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Title VI - B Grant	6B-SF	84.027	77,142	0	83,220	0
Preschool Grant	PG-S1	84.173	6,390	0	6,390	0
Total U.S. Special Education Cluster			83,532	0	89,610	0
Eisenhower Grant	MS-S1	84.281	3,371	0	13,390	0
Title I Grant	C1-S0	84.010	66,662	0	63,945	0
Title VI	C2-S1	84.298	11,897	0	11,568	0
Tech Literacy	TF-S1	84.318	0	0	63,630	0
Drug Free Schools Grant	DR-S1	84.186	3,287	0	6,463	0
Chapter II	n/a	84.151	2,680	0	2,788	0
Goals 2000	G2-S4	84.276	230,000	0	113,149	0
Title VI-R	n/a	84.340	21,057	0	15,568	0
Total Department of Education			422,486	0	380,111	0
Total Federal Assistance			\$438,667	\$14,255	\$396,292	\$14,255

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B -- FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants, and it is assumed that federal monies are expended first.

n/a -- Information not available

**MADEIRA CITY SCHOOL DISTRICT**

**June 30, 2001**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were the any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under Section .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (list):</i>	Goals 2000
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

None Noted

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None Noted

**MADEIRA CITY SCHOOL DISTRICT  
JUNE 30, 2001**

**SCHEDULE OF PRIOR AUDIT AND QUESTIONED COSTS  
*OMB CIRCULAR A-133***

Madeira City School District had no prior audit findings or questioned costs.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**MADEIRA 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  
JANUARY 22, 2002**