

THREE RIVERS LOCAL SCHOOL DISTRICT

Cleves, Ohio

General Purpose Financial Statements

For the Year Ended June 30, 2001

with

Independent Auditors' Report



STATE OF OHIO
OFFICE OF THE AUDITOR

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Board of Education
Three Rivers Local School District

We have reviewed the Independent Auditor's Report of the Three Rivers Local School District, Hamilton County, prepared by Clark, Schaefer, Hackett & Co. 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 Three Rivers Local School District is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

April 25, 2002

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THREE RIVERS LOCAL SCHOOL DISTRICT

Cleves, Ohio

General Purpose Financial Statements

For the Year Ended June 30, 2001

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Combined Balance Sheet All Fund Types and Account Groups	2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Fund Types and Expendable Trust Funds	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances Budget – Actual (Non-GAAP Budgetary Basis) All Governmental Fund Types	4
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - Proprietary Fund Type	5
Combined Statement of Cash Flows Proprietary Fund Type	6
Notes to General Purpose Financial Statements	7 - 30
Schedule of Expenditures of Federal Awards	31
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	32

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	33 - 34
Schedule of Findings and Questioned Costs	35 - 36
Schedule of Prior Audit Findings and Questioned Costs	37

Clark, Schaefer, Hackett & Co.

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Independent Auditors' Report

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

We have audited the accompanying general purpose financial statements of the Three Rivers Local School District Hamilton County, Ohio (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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 type for the year then ended in conformity with accounting principles generally accepted in the United States.

As described in Note 22 to the financial statements, the School District implemented GASB No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" as of July 1, 2000.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 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.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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.

Clark, Schaefer, Hackett & Co.

Middletown, Ohio
December 21, 2001

THREE RIVERS LOCAL SCHOOL DISTRICT
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 June 30, 2001

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPES	ACCOUNT GROUPS		Totals (Memorandum Only)		
	General Fund	Special Revenue	Debt Service	Capital Projects			Enterprise	Trust and Agency		General Fixed Assets	General Long-Term Obligations
ASSETS AND OTHER DEBITS:											
Assets:											
Equity in pooled cash and investments	\$ 1,871,504	\$ 184,201	\$ 63	\$ 337,436	\$ 80,855	\$ 73,629	-	-	\$ 2,547,488		
Cash and cash equivalents - restricted	182,210	-	-	-	-	-	-	-	182,210		
Receivables (net of allowances for uncollectibles)											
Taxes - current	10,446,283	-	-	-	-	-	-	-	10,446,283		
Taxes - delinquent	72,824	-	-	-	-	-	-	-	72,824		
Accrued interest	10,395	-	-	-	-	198	-	-	10,593		
Intergovernmental - state and local	20,820	-	-	-	3,316	-	-	-	24,136		
Intergovernmental - federal	-	-	-	-	15,425	-	-	-	15,425		
Accounts	217	725	-	-	-	-	-	-	942		
Interfund loan receivable	3,629	-	-	-	-	-	-	-	3,629.00		
Materials and supplies inventory	-	-	-	-	6,072	-	-	-	6,072		
Property, plant and equipment (net of accumulated depreciation, where applicable)	-	-	-	-	-	-	10,687,715	-	10,778,603		
Other debts:	-	-	-	-	90,888	-	-	63	63		
Amount available in Debt Service Fund	-	-	-	-	-	-	-	-	-		
Amount to be provided for retirement of General Long-term Obligations	-	-	-	-	-	-	-	1,551,626	1,551,626		
Total assets and other debits	\$12,607,882	\$ 184,926	\$ 63	\$ 337,436	\$ 196,356	\$ 73,827	\$ 10,687,715	\$ 1,551,689	\$ 25,639,894		
LIABILITIES, EQUITY AND OTHER CREDITS:											
Liabilities:											
Accounts payable	\$ 52,792	\$ 16,904	-	\$ 189,404	\$ 597	200	-	-	\$ 259,897		
Accrued wages and benefits	982,966	68,679	-	-	24,178	-	-	-	1,075,823		
Interfund loan payable	-	3,629	-	-	-	-	-	-	3,629		
Due to other governments	233,657	12,390	-	-	14,214	-	-	95,440	385,701		
Due to student groups	-	-	-	-	-	11,849	-	-	11,849		
Deferred revenue	8,633,286	-	-	-	3,780	-	-	-	8,637,066		
General obligation notes payable	-	-	-	-	-	-	-	255,856	255,856		
General obligation under capital leases	-	-	-	-	-	-	-	784	784		
Compensated absences payable	-	-	-	-	14,346	-	-	1,199,609	1,213,955		
Total liabilities	\$10,102,701	\$ 101,602	\$ -	\$ 189,404	\$ 57,115	\$ 12,049	\$ -	\$ 1,651,689	\$ 12,014,560		
Equity and other credits:											
Investment in general fixed assets	-	-	-	-	-	-	10,687,715	-	10,687,715		
Contributed capital	-	-	-	-	6,691	-	-	-	6,691		
Retained earnings: unreserved	-	-	-	-	132,550	-	-	-	132,550		
Fund Balances:											
Reserved:											
Reserved for encumbrances	212,246	13,146	-	228,592	-	200	-	-	452,184		
Reserved for Budget Stabilization	182,210	-	-	-	-	-	-	-	182,210		
Reserved for future appropriations	1,685,820	-	-	-	-	-	-	-	1,685,820		
Unreserved- Undesignated	424,905	70,178	63	(78,560)	-	61,578	-	-	478,164		
Total equity and other credits	2,505,181	83,324	63	148,032	139,241	61,778	10,687,715	-	13,625,334		
Total liabilities, equity and other credits	\$12,607,882	\$ 184,926	\$ 63	\$ 337,436	\$ 196,356	\$ 73,827	\$ 10,687,715	\$ 1,551,689	\$ 25,639,894		

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

THREE RIVERS LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
 For The Year Ended June 30, 2001

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE	Totals (Memorandum Only)
	General Fund	Special Revenue	Debt Service	Capital Projects		
Revenues:						
From local sources:						
Taxes	\$ 10,593,090	\$ -	\$ 64,101	\$ 105,070	\$ -	\$ 10,762,261
Tuition	33,209	-	-	-	-	33,209
Earnings on investments	263,757	-	-	-	4,052	267,809
Extracurricular activities	854	102,220	-	-	-	103,074
Classroom materials and fees	53,547	-	-	-	-	53,547
Other local revenues	77,752	25,631	-	-	11,474	114,857
Intergovernmental - state and local	2,618,646	82,009	-	55,523	-	2,756,178
Intergovernmental - federal	-	520,431	-	-	-	520,431
Total revenues	\$ 13,640,855	\$ 730,291	\$ 64,101	\$ 160,593	\$ 15,526	\$ 14,611,366
Expenditures:						
Current:						
Instruction:						
Regular	7,074,285	68,585	-	-	2,621	7,604,926
Special	1,309,734	382,387	-	459,435	-	1,692,121
Vocational	242	8,474	-	-	-	8,716
Support services:						
Pupil	531,132	17,479	-	-	-	548,611
Instructional staff	450,215	144,543	-	-	-	594,758
General administration	39,100	-	-	-	-	39,100
School administration	1,465,525	-	-	1,855	-	1,467,480
Fiscal	408,218	-	-	-	-	408,218
Business	98,204	-	-	-	-	98,204
Operations and maintenance	1,386,905	-	-	-	-	1,414,749
Pupil transportation	1,192,374	-	-	-	-	1,192,374
Central	123,347	1,924	-	-	-	125,271
Community services	21,618	900	-	-	17,550	39,968
Extracurricular activities	252,391	133,376	-	-	-	385,767
Capital outlay	7,269	-	-	-	-	7,269
Debt service:						
Principal retirement	4,877	-	48,982	-	-	53,859
Interest and fiscal charges	322	-	15,156	-	-	15,478
Total expenditures	\$ 14,365,658	\$ 785,512	\$ 64,138	\$ 461,390	\$ 20,171	\$ 15,696,869
Excess (deficiency) of revenues over (under) expenditures	(724,803)	(55,221)	(37)	(300,797)	(4,645)	(1,085,503)
Other financing sources (uses):						
Refund of prior year expenditures	135,784	-	-	-	-	135,784
Operating transfers in	5,647	90,187	-	-	-	95,834
Operating transfers (out)	(89,437)	(750)	-	(5,647)	-	(95,834)
Proceeds of sale of fixed assets	2,364	-	-	-	-	2,364
Total other financing sources (uses)	54,358	89,437	0	(5,647)	0	138,148
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	(670,445)	34,216	(37)	(306,444)	(4,645)	(947,355)
Fund balance, July 1	3,175,626	49,108	100	454,476	66,423	3,745,733
Fund balance, June 30	\$ 2,505,181	\$ 83,324	\$ 63	\$ 148,032	\$ 61,778	\$ 2,795,378

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

THREE RIVERS LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET ACTUAL (NON-GAAP BUDGETARY BASIS)
 FUND BALANCE, FUND TYPES
 YEAR ENDED JUNE 30, 2001

	General Fund			Special Revenue Fund			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:															
Local sources:															
Taxes	\$ 10,984,269	10,984,269	\$ -	\$ -	\$ -	\$ -	\$ 64,101	64,101	\$ -	\$ 160,091	160,091	\$ -	\$ 11,144,461	11,144,461	\$ -
Tuition	32,189	32,209	1,020	-	-	-	-	-	-	-	-	-	32,189	32,209	(1,000)
Transportation fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Earnings on investments	269,934	269,934	-	-	-	-	-	-	-	-	-	-	269,934	269,934	-
Extracurricular activities	850	850	-	102,219	102,219	101,369	-	-	-	-	-	-	103,069	103,069	700
Classroom materials and fees	80,891	80,891	-	26,693	26,693	26,693	-	-	-	-	-	-	53,547	53,547	-
Other local revenues	2,002,031	2,002,031	-	520,451	520,451	520,451	-	-	-	65,623	65,623	-	106,284	106,284	-
Intergovernmental - state and local	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental - federal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	14,023,011	14,024,031	1,020	730,252	730,252	730,252	64,101	64,101	-	221,614	221,614	-	15,038,978	15,039,998	(1,020)
Expenditures:															
Current:															
Instruction:															
Regular	7,124,659	7,066,077	38,882	137,628	133,372	4,166	-	-	-	497,129	270,537	226,592	7,765,316	7,689,986	269,330
Special	1,319,426	1,319,426	900	398,830	398,830	-	-	-	-	-	-	-	1,703,967	1,703,967	900
Vocational	236	236	-	8,474	8,474	-	-	-	-	-	-	-	8,733	8,733	-
Support services:															
Pupil	543,168	543,080	78	17,140	15,440	1,700	-	-	-	-	-	-	560,298	558,620	1,778
Instructional staff	452,562	451,269	1,293	145,117	145,117	-	-	-	-	-	-	-	597,679	596,386	1,293
General administration	39,198	39,198	-	-	-	-	-	-	-	-	-	-	39,198	39,198	-
School administration	1,499,612	1,497,940	72	-	-	-	-	-	-	-	-	-	1,496,012	1,497,940	72
Business	407,003	406,319	684	-	-	-	-	-	-	1,965	1,965	-	408,958	408,874	84
Services	1,501,315	1,390,666	110,649	28,110	27,844	266	-	-	-	-	-	-	1,569,451	1,537,400	32,051
Capital and maintenance	1,218,251	1,218,251	-	1,924	1,924	-	-	-	-	-	-	-	1,924,251	1,924,251	-
Pupil transportation	122,623	122,623	-	900	900	-	-	-	-	-	-	-	124,547	124,547	-
Community services	20,946	20,946	-	136,548	128,623	7,925	-	-	-	-	-	-	21,846	21,846	-
Extracurricular activities	256,923	256,923	-	-	-	-	-	-	-	-	-	-	393,471	396,446	283
Miscellaneous	34,391	34,391	-	-	-	-	-	-	-	-	-	-	34,391	34,391	-
Debt service:															
Principal retirement	4,802	4,802	-	-	-	-	64,138	64,138	-	-	-	-	66,940	66,940	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	14,596,590	14,394,344	212,246	864,371	851,224	13,147	64,138	64,138	-	499,084	272,482	226,592	15,927,028	15,675,043	451,985
Excess (deficiency) of revenues over (under) expenditures															
	(573,579)	(360,313)	(212,236)	(134,119)	(120,972)	13,147	(37)	(37)	-	(277,470)	(50,878)	226,592	(888,050)	(632,200)	(355,850)
Other financing sources (uses):															
Operating funds:															
Operating transfers in	5,647	5,647	-	90,197	90,197	-	-	-	-	-	-	-	95,834	95,834	-
Operating transfers (out)	(89,437)	(89,437)	-	(2,750)	(2,750)	-	-	-	-	(6,647)	(6,647)	-	(92,834)	(92,834)	-
Advances in	4,153	4,153	-	3,629	3,629	-	-	-	-	-	-	-	7,782	7,782	-
Advances (out)	(3,629)	(3,629)	-	(4,153)	(4,153)	-	-	-	-	-	-	-	(7,782)	(7,782)	-
Pass - Through	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Refund of prior year expenditures	195,784	195,784	-	-	-	-	-	-	-	-	-	-	195,784	195,784	-
Proceeds of sale of fixed assets	2,354	2,354	-	-	-	-	-	-	-	-	-	-	2,354	2,354	-
Total other financing sources (uses)	54,882	54,882	-	86,913	86,913	-	-	-	-	(6,647)	(6,647)	-	136,148	136,148	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses															
	(518,697)	(305,431)	213,266	(47,206)	(34,059)	13,147	(37)	(37)	-	(283,117)	(66,620)	226,592	(761,902)	(336,052)	365,850
Fund balance, July 1	2,359,145	2,359,145	-	219,260	219,260	-	100	100	-	393,951	393,951	-	2,871,466	2,871,466	-
Fund balance, June 30	\$ 1,840,448	\$ 2,053,714	\$ 213,266	\$ 171,054	\$ 164,201	\$ 13,147	\$ 63	\$ 63	\$ -	\$ 110,844	\$ 337,456	\$ 226,592	\$ 2,219,564	\$ 2,219,564	\$ 365,850

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

THREE RIVERS LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN RETAINED EARNINGS
 PROPRIETARY FUND TYPE
 YEAR ENDED JUNE 30, 2001

	Enterprise
Operating revenues:	
Sales	\$465,401
Total operating revenues	465,401
Operating expenses:	
Salaries and Wages	207,241
Fringe benefits	59,522
Contract services	51,255
Supplies	299,018
Depreciation	11,757
Total operating expenses	628,793
Operating loss	(163,392)
Nonoperating revenues (expenses):	
Operating grants - state and local	7,698
Operating grants - federal	135,174
Operating grants - donated commodities	28,860
Other	11,326
Total Nonoperating Revenues	183,058
Net Income	19,666
Retained earnings at July 1	112,884
Retained earnings at June 30	\$132,550
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THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

THREE RIVERS LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED JUNE 30, 2001

	Enterprise
Cash flows from operating activities:	
Cash received from sales	\$465,401
Cash payments for personal services	(269,115)
Cash payments for contract services	(51,016)
Cash payments for supplies and materials	(269,054)

Net cash used by operating activities	(123,784)
Cash flow from noncapital financing activities:	
Cash received from operating grants	141,222
Miscellaneous Revenue	11,326

Net cash provided by noncapital financing activities	152,548
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(23,156)

Net cash used for capital and related financing activities	(23,156)
Net increase (decrease) in cash and cash equivalents	5,608
Cash and cash equivalents at beginning of year	75,047

Cash and cash equivalents at end of year	\$80,655
	=====
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	(\$163,392)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	11,757
Donated commodities used	28,860
Changes in assets and liabilities:	
Decrease in due to other governments	(358)
Decrease in supplies inventory	211
Increase in accounts payable	597
Decrease in accrued wages and benefits	(2,352)
Increase in deferred revenue	893

Net cash provided by operating activities	(123,784)
	=====

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

THREE RIVERS LOCAL SCHOOL DISTRICT
Notes to General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

1. Description of the District:

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

The District operates under a locally elected five-member Board (the 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 86 non-certificated personnel and 140 certificated teaching and administrative personnel to provide services to students and other community members.

The District ranks 258 out of 611 districts in the State of Ohio in terms of enrollment and the 12th largest in Hamilton County. It currently operates three elementary schools (grades K-5), one middle school (grades 6-8), and one high school (grades 9-12).

2. Summary of Significant Accounting Policies:

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

The reporting entity

In accordance with Governmental Accounting Standards (GASB) Statement No.14, the financial reporting entity consists of a primary government and its component units. The District is a primary government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds and account groups of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities.

Basis of presentation - fund accounting

The accounts 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, and other credits, revenues and expenditures or expenses, as appropriate. The District uses the following fund types and account groups:

Governmental funds

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 law.

Capital project 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 funds

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 is the District's proprietary fund type:

Enterprise funds

Enterprise funds are used to account for operations that (a) 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.

Fiduciary funds

Fiduciary funds are used to account for the asset 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.

Accounts 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 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

All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds 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. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components.

Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Under the provisions of Government Accounting Standards Board No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," the District has elected not to follow Financial Accounting Standards Board guidance issued subsequent to November 30, 1989.

Basis of accounting

All governmental fund types, expendable trust funds, and agency funds use the modified accrual basis of accounting. 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. Delinquent property taxes not received within 60 days after fiscal year end and property taxes, which are intended to finance subsequent fiscal year operations, have been recorded as deferred revenues. Expenditures are recorded when the related fund liability is incurred, except interest on long-term debt which is recorded when due.

The accrual basis of accounting is utilized by proprietary funds. Revenues are recorded when earned and expenses are recorded in the period incurred.

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 paid in cash (budgetary) as opposed to when the liability is incurred (GAAP).

Outstanding year-end encumbrances are treated as expenditures (budgetary) rather than as a reservation of fund balances (GAAP).

The actual results of operations compared to the final appropriation, which includes 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 District is required by state statute to adopt an annual appropriated budget for all fund types except Agency Funds. The specific timetable is as follows:

Prior to January 15th 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 1st. 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 20th the Board-adopted budget is filed with the Hamilton County Budget Commission for tax rate determination.

Prior to March 15th, 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 30th 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 Certificate). The revised budget then serves as a basis for the appropriation measure. On or about July 1st 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 1st the 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 1st 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. The Board must approve any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund or alter object appropriations within functions.

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 through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. The Board legally enacted all supplemental appropriations during the current fiscal year and none were significant.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. 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 as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 13 provides a reconciliation of the budgetary basis and GAAP basis of accounting.

Cash and investments

Cash received by the District is deposited in one account with individual fund balance integrity maintained throughout. Monies for all funds are maintained in this account or are temporarily used to purchase short-term cash equivalent investments (maturity within three months of the date of issuance), which are stated 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, the special trust fund, and other funds as required by law.

Interest earnings are allocated to these funds based on ending month cash balances. Interest income earned during the fiscal year totaled \$280,309 (excluding agency fund operations).

For purposes of the statement of cash flows (GASB Statement 9), all highly liquid investments with maturity of three months or less when issued are considered to be cash equivalents.

Investments in the District's cash and investments are stated at fair value.

An analysis of the treasurer's investment account at year-end, June 30th, is provided in Note 3.

Inventory (materials and supplies)

Inventories are valued at lower of cost (first-in, first-out) or market and are determined by physical count. Inventories of all proprietary funds are expensed when used rather than when purchased. Inventories of governmental funds are recorded as expenditures when purchased.

Restricted assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is no longer required by State statute. However, the District has opted to leave this reserve intact.

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 \$1,000 and a useful life of less than three years. No depreciation is recognized for assets in the general fixed assets account group. The District does not possess 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 of the date donated. Depreciation has been provided where appropriate on a straight-line basis over the following estimated useful lives of 5-20 years for furniture and equipment.

Intergovernmental revenues

In governmental funds, entitlements and non-reimbursement grants are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenue when the related expenditures are incurred. Grants for proprietary fund operations are recognized as revenue when measurable and earned except for donated commodities, which are recognized when used.

Inter-fund 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 inter-fund loans are reflected as inter-fund loans payable/receivable, while long-term inter-fund loans (greater than one year in length) are recorded as advances to/from other funds. The District has no long-term advances as of June 30th.

Compensated absences

Vested and accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay for it. Amounts of vested and accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported in the General Long Term Obligations Account Group. Vested and accumulated vacation and sick leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to the employee.

In accordance with GASB Statement No.16, sick leave benefits should be accrued only when it is probable that the employer will have to make termination payments. Sick pay benefits that have been earned, but probably will be used only for sick leave, should not be accrued, but rather recorded as an expenditure/expense when employees are paid for days not worked due to illness. Therefore, a liability for earned but unused sick leave has been provided in the appropriate funds for District employees who are currently eligible for retirement as well as other employees who are expected to become eligible in the future to receive payments.

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 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 equity

Contributed capital is recorded in proprietary funds that received capital grants or contributions from other funds.

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, future appropriations, and budget stabilization. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purpose of those funds.

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 does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Equity in Pooled Cash and Investments:

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

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

Active monies

Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts or in money market deposit accounts.

Inactive monies

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

Interim monies

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

Bonds, notes or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.

Bonds, notes, debentures or other obligations of securities issued by any federal governmental agency.

Repurchase agreements in the securities enumerated above.

Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificate of deposit maturing into more than one year from the date of deposit or by savings or deposit accounts including but not limited to passbook accounts.

Bonds and other obligations of the State of Ohio or its political subdivisions. The Ohio State Treasurer's investment pool.

Deposits

At year end the carrying amount of the District's pooled cash was \$(116,658). The bank balance of deposits was \$64,868. Of the bank balance:

1. \$64,868 was covered by federal depository insurance: and
2. \$0 was covered by collateral held by the pledging institution's trust department pursuant to Ohio Revised Code Section 135.181 in collateral pools securing public funds on deposit with specific depository institutions. Ohio revised code Chapter 135, 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 repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit Insurance.

Investments

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 District or its agent in the District's name holds the securities. CATEGORY 2 includes uninsured and unregistered investments for which the broker's or dealer's holds the securities by the broker or dealer's trust department or agent in the District's name. CATEGORY 3 includes uninsured or 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. Based on the above criteria, the District's investments at June 30, 2001 are classified as follows:

	<u>Fair Value</u>
State Treasury Asset Reserve (1)	\$ 2,065,000
PNC Bank - Category 1	<u>781,356</u>
	<u>\$ 2,846,356</u>

(1) The District's investment in the Ohio State Treasurer's pool (Star Ohio) is not categorized because it is not evidenced by securities that exist in physical or book entry form. Investments in Star Ohio are backed by the securities purchased by Star Ohio. Historically, over 90% of investments purchased by Star Ohio are U.S. Government Obligations and securities purchased and held in a third party custodial arrangement on behalf of Star Ohio.

4. 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 were based are as follows:

Tangible personal	\$ 36,000,000
Public utilities and real estate	<u>329,190,000</u>
	<u>\$ 365,190,000</u>

Real property taxes were levied in January on the assessed values as of January 1st of the previous year, the lien date. Assessed values are established by the county auditor at 35% of the appraised market value. A revaluation of real property is required to be completed no less than every six years, with a statistical updated every third year. The most recent revaluation was completed in calendar 1999. Tangible personal property is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25% of true value (as defined). Under Ohio Law each business is eligible to receive a \$10,000 exemption in assessed value which was reimbursed to the District by the State.

Real property taxes are payable annually or semi-annually. If paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least one-half 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.

Per Auditor of State Bulletin No.95-016, uncollected taxes outstanding, available to the District as of June 30th, are recorded as receivables and revenues for the current fiscal year. However, since the taxes are not intended to fund the current year's operations, a reserve for future appropriations has been set up in the fund balance section. Uncollected taxes outstanding, not available to the District as of June 30th, are recorded as a receivable and deferred revenue.

5. Receivables:

Receivables at June 30th consisted of taxes receivable, accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

<u>Fund</u>	<u>Receivable</u>	<u>Amount</u>
General	Taxes	\$ 10,519,107
	Accrued interest	10,395
	Intergovernmental	
	State and local	20,820
	Other	217
Special revenue	Other	725
Enterprise	Intergovernmental	
	State and local	3,316
	Intergovernmental federal	15,425
Expendable trust	Accrued interest	198

6. Fixed Assets:

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	<u>July 1st</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30th</u>
Land	\$ 101,354	0	0	101,354
Building	4,831,403	15,334	0	4,846,737
Furniture/equipment	3,963,719	113,655	2,444	4,074,930
Vehicles	<u>1,297,802</u>	<u>366,892</u>	<u>0</u>	<u>1,664,694</u>
Total	\$ <u>10,194,278</u>	<u>495,881</u>	<u>2,444</u>	<u>10,687,715</u>

A summary of the proprietary fund fixed assets at June 30th follows:

Furniture and equipment	\$ 352,060
Less accumulated depreciation	<u>(261,172)</u>
Net fixed assets - proprietary fund	\$ <u>90,888</u>

7. Long- Term Debt:

H.B. 264 Energy Conservation Measures

Substitute House Bill 264 ("H.B. 264"), which became effective October 1, 1985, authorized the following methods for boards of education to finance energy conservation measures:

Unvoted bonds and notes under Ohio's Uniform Bond Law;

Unvoted installment payment agreements; and,

Unvoted shares-savings arrangements.

H.B. 264 added Section 133.06(G) to Chapter 133 of the Ohio Revised Code (sometimes called the "Uniform Bond Law") which permits a board of education to issue unvoted bonds and notes to finance energy conservation measures.

Section 133.06(G) provides a four-step process for issuing such obligations:

A board of education contracts for an analysis and recommendations for energy conservation measures;

If the board finds that the energy conservation measures are likely to pay for themselves over ten years, the board requests the State Department of Education for permission to borrow in order to finance the energy conservation measures;

If the State Department of Education finds that the local board of education's findings are reasonable, it authorizes the borrowing, and the local board of education may issue its notes or bonds; and

As long as the indebtedness remains outstanding, the local board of education monitors the performance of the energy conservation measures annually and reports on the energy conservation measure to the State Department of Education, which reports are certified by an architect or engineer independent of the vendor that supplied the energy conservation measures.

The bonds and notes issued Section 133.06(G) are general obligations of the local board of education, are not subject to the 1/10 of 1% unvoted debt limitation generally applicable to board of education, but are subject to a 9/10 of 1% debt limit contained in Section 133.06(G). Such bonds and notes must otherwise comply with the applicable provisions of Chapter 133 of the Ohio Revised Code, and any such bonds have a maximum maturity often years (Section 133.20).

The following is a description of the District's Energy Conservation Notes outstanding at June 30th:

	Interest	Issue	Maturity	Balance <u>7/1/00</u>	Retired <u>in 2001</u>	Balance <u>6/30/01</u>
Energy Conservation	5.35	8/16/95	12/31/05	\$304,838	48,982	\$255,856

The following is a summary of the District's future annual debt service requirements to maturity for the Energy Conservation Note:

<u>Payment Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
Fiscal 2002	12,434	51,668	204,188
Fiscal 2003	9,601	54,501	149,687
Fiscal 2004	6,612	57,489	92,198
Fiscal 2005	3,460	60,642	31,556
<u>Fiscal 2006</u>	<u>494</u>	<u>31,556</u>	<u>0</u>
Total	\$ <u>32,601</u>	\$ <u>255,856</u>	

Capital Leases

The District entered into a lease for the acquisition of a copier. The terms of the agreement provide options to purchase the equipment. The 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 which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Therefore, these lease agreements have been recorded at the present value of the future minimum lease payments as of their date of their inception.

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 30th:

2002	\$ 802
Less amounts representing interest	<u>18</u>
Present value of minimum least payments	\$ <u>784</u>

8. Changes in the General Long Obligation Account Group:

During the year ended June 30th 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>Addition</u>	<u>Deduction</u>	<u>June 30, 2001</u>
Compensated absences:				
Sick leave and vacation	\$ 1,217,977	0	18,368	1,199,609
Due to other governments	86,260	9,180	0	95,440
Energy conservation measure notes	304,838	0	48,982	255,856
Capital lease	<u>5,225</u>	<u>0</u>	<u>4,441</u>	<u>784</u>
Total	\$ <u>1,614,300</u>	<u>9,180</u>	<u>71,791</u>	<u>1,551,689</u>

9. Segment Information:

Enterprise funds - The District maintains two Enterprise Funds to account for the operations of food services and uniform school supply sales. 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 ended June 30th:

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating revenues	\$ 461,208	4,193	465,401
Operating expenses before depreciation	612,965	4,071	617,036
Depreciation	11,757	0	11,757
Operating income (loss)	(163,514)	122	(163,392)
Other	183,058	0	183,058
Net income	19,544	122	19,666
Net working capital	62,907	(208)	62,699
Total assets	195,967	389	196,356
Total liabilities	56,518	597	57,115
Total equity	\$139,449	(208)	139,241

Contributed capital -food service enterprise fund

During the fiscal year, contributed capital did not change.

10. Defined Benefit Pension Plans:

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer public employee defined benefit 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. Chapter 3309 of the Ohio Revised Code establishes benefits. 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, 45 North Fourth Street, Columbus, Ohio 43215-3634 or calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute 14%. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rate is determined annually.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, 1999, were \$286,320, \$258,780, and \$227,916, respectively; 50% has been contributed for fiscal year 2001, and 100% for 2000 and 1999. \$165,549, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the term-term obligations account group.

B. State Teachers Retirement System

The School District contributes to 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. Chapter 3307 of the Ohio Revised Code establishes benefits. 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 or by calling (614) 227-4090.

Plan members are required to contribute 9.3% of their annual covered salary and the School District is required to contribute 14%.

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 School districts required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$1,140,912, \$847,260, and \$809,520, respectively; 83.33% has been contributed for fiscal year 2001, and 100% for 2000 and 1999. \$190,152 representing the unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System.

11. Post Employment Benefits

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

For STRS, all benefit recipients are required to pay a portion of health care costs 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 Board currently allocates employer contributions equal to 2% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid for the School District. As of June 30, 2000, eligible benefit recipients totaled 99,011. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, 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. In addition, SERS 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 2001, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, equaled approximately \$90,000 during the 2001 fiscal year. The number of recipients currently receiving health care benefits is 50,000. For the fiscal year ended June 30, 2001, net health care costs paid by SERS were \$140,696,340.

12. Other Employee Benefits:

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who are not on a twelve-month contract do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 272 days. Upon retirement, payment is made for one-fourth of the sick leave accumulation.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to regular employees. Employees receive coverage in the amount of one and one-half to two and one-half the amount of their salary rounded to the nearest \$1,000.

13. Budgetary Basis of Accounting:

While reporting financial position, results of operations, and changes in fund balance/retained earnings 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 and encumbrances. A reconciliation of the nature and amounts of the adjustments necessary to convert the GAAP financial statements to 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:

Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP basis	\$ (670,445)	34,216	(37)	(306,444)
Net adjustment for revenue accruals	383,180	(39)	-	61,021
Net adjustment for expense accruals	194,080	(55,090)	-	415,490
Net adjustments for encumbrances	<u>(212,246)</u>	<u>(13,146)</u>	<u>-</u>	<u>(226,592)</u>
Budgetary basis	\$ <u>(305,431)</u>	<u>(34,059)</u>	<u>(37)</u>	<u>(56,525)</u>

14. Compliance and Accountability:

State statute requires all funds to have expenditures and encumbrances within approved appropriation limits. All funds of the District had expenditures and encumbrances within the approved appropriations.

15. Joint Governed Organization:

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

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

16. 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 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 30th.

Litigation

The District's attorney estimates that the potential claims against the District, not covered by insurance, resulting from all other litigation would not materially affect the financial statements of the District.

17. Legal Debt Margin:

The Ohio Revised code provides that voted net general obligation debt of the District should 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 30th are a voted debt margin of \$32,687,100 and an unvoted debt margin of \$365,190.

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

The District also provides life insurance and accidental death and dismemberment coverage to all employees. The amount of coverage per employee varies by bargaining unit. Commercial Life provides the life insurance coverage for the District.

The District pays the State Workers' Compensation System a premium based on a rate per \$1,000 of salaries. This rate is calculated based on accident history and administrative costs.

19. Fund Balance Deficits:

Fund balances at June 30th included the following individual fund deficits (includes accrual entries):

Capital Project Fund:

Technology

The above fund has a deficit fund balance due to the accrual of wages and fringe benefits, and also due to the timing of receiving reimbursements for goods and/or services rendered.

20. State 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 school districts as a result of the 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 the fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on the 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 December 14, 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 the changes be made retroactive to July 1, 2001.

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

21. Statutory Reserves:

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Total</u>
Set-aside Cash Balance as of June 30, 2000	\$ -	-	182,210	182,210
Current Year Set-aside Requirement	259,481	259,481	-	518,962
Current Year Offsets Qualifying Disbursements	<u>259,481</u>	<u>259,481</u>	<u>-</u>	<u>518,962</u>
Set-aside Cash Balance as of June 30, 2000	\$ -	-	182,210	182,210
Amount Restricted for Bus Purchases -				<u>-</u>
Total Restricted Assets				\$ <u>182,210</u>

Expenditures for textbooks and instructional materials during the year exceeded the amount required for the set-aside.

Expenditures for the Capital Acquisition activity during the year totaled \$614,390, which exceeded the amount required for the set-aside.

The budget stabilization set aside is no longer required; however, the District has opted to leave this fund intact.

22. Change in Accounting Principle:

For fiscal year 2001, the School District implemented GASB No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" as of July 1, 2000. There was no effect on fund balances as of June 30, 2000 as a result of implementing GASB No. 33.

THREE RIVERS LOCAL SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2001

<u>Federal Grantor/Program Title</u>	<u>CFDA #</u>	<u>Federal Receipts</u>	<u>Federal Disbursements</u>
 <u>U.S. Dept. of Agriculture Passed through State Dept. of Education</u>			
Nutrition Cluster:			
National School Lunch Program	10.555	\$ 83,070	\$ 83,070
National School Breakfast Program	10.553	21,076	\$21,076
In-Kind Commodities	A 10.550	28,580	\$28,580
		-----	-----
Total Dept. of Agriculture		132,726	132,726
 <u>U.S. Dept. of Education Passed through State Dept. of Education</u>			
Title I of ESEA	84.010	319,188	317,735
Title II	84.151	20,010	19,062
Title VI-B	84.027	121,236	144,118
Vocational Education	84.048	4,868	4,422
Drug Free Schools	84.186	11,567	11,567
Eisenhower Math/Science	84.281	8,882	890
Class Size Reduction	84.340	36,359	29,749
		-----	-----
Total U.S. Dept. of Education		522,110	527,543
 <u>U.S. Dept. of Labor through Hamilton County</u>			
Job Training Partnership Act	17.998	2,427	2,427
		-----	-----
Total Federal Awards		\$ 657,263	\$ 662,696
		=====	=====

A - Amount represents cost of commodities not actual dollars.

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Clark, Schaefer, Hackett & Co.

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited the financial statements of the Three Rivers Local School District (the District) as of and for the year ended June 30, 2001 and have issued our report thereon dated December 21, 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 noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of compliance that we have reported to the management of the District in a separate letter dated December 21, 2001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 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 assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted certain other matters involving the internal control over financial report which we have reported to the management of the District in a separate letter dated December 21, 2001.

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

Clark, Schaefer, Hackett & Co.

Middletown, Ohio
December 21, 2001

Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Independent Auditors' Report on Compliance with Requirements Applicable to
Each Major Program and Internal Control Over Compliance
in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of Three Rivers Local School District (the District) with types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to 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 Organization*. 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 each of its major federal programs 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.

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

Clark, Schaefer, Hackett PC.

Middletown, Ohio
December 21, 2001

Schedule of Findings and Questioned Costs

OMB Circular A - 133

Three Rivers Local School District

June 30, 2001

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported noncompliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Program Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under sec. .510?</i>	No

(d)(1)(vii)	<i>Major Program</i>	Title I
(d)(1)(viii)	<i>Dollar Threshold: Type A\B programs?</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee</i>	Yes

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

NONE

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

THREE RIVERS LOCAL SCHOOL DISTRICT

Schedule of Prior Audit Findings and Questioned Costs

June 30, 2001

There were no findings and questioned costs in the prior year's audit.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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THREE RIVERS LOCAL SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 9, 2002**