



Dave Yost • Auditor of State



**THREE RIVERS LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Three Rivers Local School District  
Hamilton County  
92 Cleves Avenue  
Cleves, Ohio 45002

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and the *Required budgetary comparison schedule*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

February 12, 2013

**Three Rivers Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2012**  
**(Unaudited)**

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

**Financial Highlights**

Key financial highlights for 2012 are as follows:

- Net assets of governmental activities increased \$1,475,804 which represents a 4% increase from 2011.
- General revenues accounted for \$22,818,386 in revenue or 90% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,406,491 or 10% of total revenues \$25,224,877.
- The District had \$23,749,073 in expenses related to governmental activities; \$2,406,491 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$22,818,386 were also used to provide for these programs.

**Overview of the Financial Statements**

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

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

**Three Rivers Local School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

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**Government-wide Financial Statements**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The Government-wide Financial Statements answers this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

**Fund Financial Statements**

The analysis of the District's major funds is presented in the Fund Financial Statements (see Table of Contents). Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

The District has two kinds of funds:

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

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



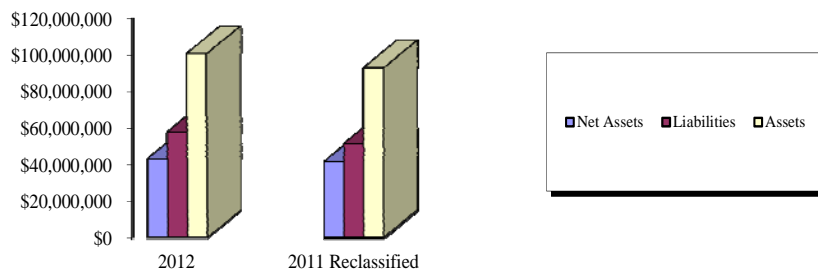
**Three Rivers Local School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

**The District as a Whole**

As stated previously, the Statement of Net Assets looks at the District as a whole. Table 1 provides a summary of the District's net assets for 2012 compared to 2011:

Table 1  
Net Assets

	Governmental Activities	
	2012	2011 Reclassified
<b>Assets:</b>		
Current and Other Assets	\$77,773,841	\$84,667,941
Capital Assets	22,930,630	8,216,635
<b>Total Assets</b>	<b>100,704,471</b>	<b>92,884,576</b>
<b>Liabilities:</b>		
Other Liabilities	15,885,975	11,327,522
Long-Term Liabilities	41,776,490	39,990,852
<b>Total Liabilities</b>	<b>57,662,465</b>	<b>51,318,374</b>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	8,456,467	6,544,457
Restricted	23,001,753	24,196,906
Unrestricted	11,583,786	10,824,839
<b>Total Net Assets</b>	<b>\$43,042,006</b>	<b>\$41,566,202</b>



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$43,042,006.

At year-end, capital assets represented 23% of total assets. Capital assets include land, construction in progress, buildings and improvements, transportation and equipment and fixtures. Capital assets, net of related debt to acquire the assets at June 30, 2012, was \$8,456,467. These capital assets are used to provide services to the students and are not available for future spending.

**Three Rivers Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2012**  
**(Unaudited)**

A portion of the District's net assets, \$23,001,753 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use. Approximately \$692,482 was reclassified from Other Revenue to Grants and Entitlements for fiscal year 2011 to properly reflect the classification of the bond retirement subsidy payments.

Current and Other Assets decreased mainly due to a decrease in intergovernmental receivable which was due to almost all grant monies related to the Ohio Schools Facilities Commission (OSFC) was recognized in the prior fiscal year. Capital Assets increased due to the continuation of the District's building projects in fiscal year 2012. Long-Term Liabilities increased mainly due to the District issuing \$2,400,000 in long-term debt obligations to finance the building projects throughout the District.

Table 2 shows the changes in net assets for fiscal years 2012 and 2011.

Table 2  
Changes in Net Assets

	Governmental Activities	
	2012	2011 Reclassified
Revenues:		
Program Revenues		
Charges for Services and Sales	\$1,104,083	\$994,468
Operating Grants and Contributions	1,302,408	2,094,221
General Revenues:		
Property Taxes	12,278,522	12,852,233
Grants and Entitlements	7,635,587	34,624,367
Other	2,904,277	3,019,437
Total Revenues	<u>25,224,877</u>	<u>53,584,726</u>
Program Expenses:		
Instruction	12,693,711	11,674,674
Support Services:		
Pupil and Instructional Staff	1,761,437	3,138,346
School Administrative, General		
Administration, Fiscal and Business	2,160,040	2,503,398
Operations and Maintenance	1,437,744	1,435,319
Pupil Transportation	1,421,946	1,618,052
Central	601,319	686,208
Operation of Non-Instructional Services	943,735	888,806
Extracurricular Activities	594,818	586,524
Interest and Fiscal Charges	2,134,323	1,792,310
Total Program Expenses	<u>23,749,073</u>	<u>24,323,637</u>
Change in Net Assets	1,475,804	29,261,089
Net Assets Beginning of Year	<u>41,566,202</u>	<u>12,305,113</u>
Net Assets End of Year	<u><u>\$43,042,006</u></u>	<u><u>\$41,566,202</u></u>

**Three Rivers Local School District, Ohio  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

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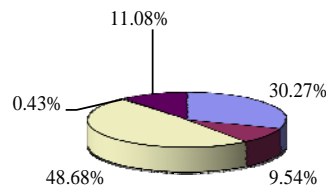
**Governmental Activities**

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

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

Thus Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 49% of revenue for governmental activities for the District in fiscal year 2012.

Revenue Sources	2012	Percent of Total
General Grants	\$7,635,587	30.27%
Program Revenues	2,406,491	9.54%
General Tax Revenues	12,278,522	48.68%
Investment Earnings	108,314	0.43%
Other Revenues	2,795,963	11.08%
	<u>\$25,224,877</u>	<u>100.00%</u>



Instruction comprises 53.45% of governmental program expenses. Support services expenses were 31.09% of governmental program expenses. All other expenses were 15.47%.

Grants and Entitlements decreased mainly due to the District receiving and accruing \$26.8 million in OSFC grant monies to finance the building projects throughout the District in the previous fiscal year. The District reclassified \$692,482 from Other Revenue to Grants and Entitlements for fiscal year 2011 to properly reflect the presentation of the bond retirement interest subsidy payments. Total expenditures decreased mainly due to the District’s ongoing effort to cut costs due to the economic downturn.

**Three Rivers Local School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

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

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction	\$12,693,711	\$11,674,674	(\$11,450,981)	(\$10,045,227)
Support Services:				
Pupil and Instructional Staff	1,761,437	3,138,346	(1,726,181)	(2,770,159)
School Administrative, General				
Administration, Fiscal and Business	2,160,040	2,503,398	(2,129,073)	(2,492,619)
Operations and Maintenance	1,437,744	1,435,319	(1,419,051)	(1,360,204)
Pupil Transportation	1,421,946	1,618,052	(1,338,067)	(1,564,738)
Central	601,319	686,208	(594,077)	(686,208)
Operation of Non-Instructional Services	943,735	888,806	(127,035)	(95,233)
Extracurricular Activities	594,818	586,524	(423,794)	(428,250)
Interest and Fiscal Charges	2,134,323	1,792,310	(2,134,323)	(1,792,310)
Total Expenses	\$23,749,073	\$24,323,637	(\$21,342,582)	(\$21,234,948)

**The District's Funds**

The District has two major governmental funds: the General Fund and Classroom Facilities Construction Fund. Assets of these funds comprise \$65,937,844 (85%) of the total \$77,399,110 governmental funds assets.

**General Fund:** Fund balance at June 30, 2012 was \$11,715,764, an increase of \$608,730 from 2011. The primary reason for the increase in fund balance was due to a decrease in bond issuance costs.

**Classroom Facilities Construction Fund:** Fund balance at June 30, 2012 was \$36,690,838. The primary reason for the increase in fund balance was due to an increase in OSFC grant monies.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2012, the District amended its general fund budget when needed. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the budget in an attempt to deal with changes in revenues and expenditures.

**Three Rivers Local School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

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For the General Fund, the final budgeted revenue was \$19,657,823 and the original budgeted revenue was \$18,559,178. The difference was \$1,098,645. Of this difference, most was due to a conservative estimate of taxes revenue and intergovernmental revenue.

The District's ending unobligated actual fund balance for the General fund was \$8,297,345.

**Capital Assets and Debt Administration**

*Capital Assets*

At fiscal year end, the District had \$22,930,630 invested in land, construction in progress, buildings and improvements, transportation, and equipment and fixtures. Table 4 shows fiscal year 2012 balances compared to fiscal year 2011:

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

	Governmental Activities	
	2012	2011
Land	\$4,362,901	\$4,315,843
Construction in Progress	16,141,363	1,674,982
Buildings and Improvements	1,716,924	1,352,683
Transportation	309,168	348,969
Equipment and Fixtures	400,274	524,158
Total Net Capital Assets	<u>\$22,930,630</u>	<u>\$8,216,635</u>

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

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

*Debt*

At June 30, 2012, the District had \$39,764,054 in bonds outstanding, \$740,000 due within one year. Table 5 summarizes debt outstanding.

**Three Rivers Local School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

Table 5  
Outstanding Debt, at Year End

	Governmental Activities	
	2012	2011
Bonds:		
2010 School Improvement Build America Bonds	\$21,890,000	\$21,890,000
Discount on Build America Bonds	(166,837)	(171,570)
2010 School Improvement Qualified School Construction Bonds	11,260,000	11,260,000
Discount on Qualified School Construction Bonds	(80,807)	(85,857)
2010 School Improvement Tax Exempt Bonds		
Current Interest	2,345,000	2,885,000
Capital Appreciation	1,110,000	1,110,000
Accretion of Interest	151,479	58,442
Premium on Bonds	789,786	828,788
2011 Certification of Participation Bonds		
Current Interest	2,310,000	0
Capital Appreciation	90,000	0
Accretion of Interest	6,710	0
Premium on Bonds	58,723	0
Total Bonds	<u>\$39,764,054</u>	<u>\$37,774,803</u>

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

**For the Future**

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

The phase-out of Tangible Personal Property Tax (TPPT) as legislated in House Bill 66 has reduced the District's revenue by \$3.0M dollars annually between 2007 and 2017. When passed, House Bill 66 provided reimbursement payments to District's to phase-in the loss of revenue. House Bill 153 accelerated the phase out of the TPPT reimbursement scheduled through 2017.

The losses in TPPT reimbursement along with federal stabilization dollars total over \$3.2M for the next two fiscal years. The District has made a number of financial reductions, as well as, successfully negotiated concessions from its bargaining unit for the next past fiscal year and the next two to offset the losses. Beyond fiscal year 2013 the loss of TPPT reimbursement payments will be equivalent to nearly 5 mills of property tax annually. The District is currently planning to address this issue through expenditure reductions or an additional tax levy.

The District passed a 4.95 mill operating levy renewal in November 2011. The levy generated approximately \$1.7M dollars annually and it will keep the District financially stable through June 30, 2015.

The District is currently in the process of constructing a new PK-12 school facility with the assistance of the Ohio School Facilities Commission (OSFC) to open in the fall of 2013. The new facility would replace the 4 current school facilities. Three of the existing school facilities will be sold or razed and the fourth will be converted into a central office facility. It is not clear the full impact financially on the

**Three Rivers Local School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

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operations of the District the change to one facility will bring. The District is currently working to detail that impact and incorporate it into planning for 2014 when the 3 year levy would expire again.

On a positive note, the District's academic standing gains are at the highest level in its long history. The District has achieved 25 out of 26 indicators on the 2011-12 Ohio Local Report Card (LRC), earning an Excellent Rating. This will mark the 3rd consecutive year the District has earned an Excellent Rating.

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

**Contacting the District's Financial Management**

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

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Three Rivers Local School District, Ohio  
Statement of Net Assets  
June 30, 2012

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$58,724,651
Restricted Cash and Investments	147,491
Receivables:	
Taxes	12,815,659
Accounts	59,926
Interest	89,805
Intergovernmental	5,561,578
Deferred Bond Issuance Costs	374,731
Nondepreciable Capital Assets	20,504,264
Depreciable Capital Assets, Net	<u>2,426,366</u>
Total Assets	<u>100,704,471</u>
Liabilities:	
Accounts Payable	189,359
Accrued Wages and Benefits	1,660,095
Contracts Payable	4,231,567
Retainage Payable	147,491
Accrued Interest Payable	166,554
Unearned Revenue	9,490,909
Long-Term Liabilities:	
Due Within One Year	951,327
Due In More Than One Year	<u>40,825,163</u>
Total Liabilities	<u>57,662,465</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	8,456,467
Restricted for:	
Classroom Maintenance	363,947
Food Service	229,366
Federal Grants	73,568
Debt Service	1,503,094
Capital Projects	20,649,676
Other Purposes	182,102
Unrestricted	<u>11,583,786</u>
Total Net Assets	<u><u>\$43,042,006</u></u>

See accompanying notes to the Basic Financial Statements.

Three Rivers Local School District, Ohio  
Statement of Activities  
For the Fiscal Year Ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$8,404,503	\$422,982	\$90,401	(\$7,891,120)
Special	3,750,330	19	714,970	(3,035,341)
Vocational	2,390	0	4,070	1,680
Other	536,488	0	10,288	(526,200)
Support Services:				
Pupil	1,249,898	4	13,035	(1,236,859)
Instructional Staff	511,539	0	22,217	(489,322)
General Administration	48,024	0	0	(48,024)
School Administration	1,552,559	0	0	(1,552,559)
Fiscal	559,457	0	30,967	(528,490)
Operations and Maintenance	1,437,744	18,693	0	(1,419,051)
Pupil Transportation	1,421,946	33,438	50,441	(1,338,067)
Central	601,319	42	7,200	(594,077)
Operation of Non-Instructional Services	943,735	457,881	358,819	(127,035)
Extracurricular Activities	594,818	171,024	0	(423,794)
Interest and Fiscal Charges	2,134,323	0	0	(2,134,323)
<b>Total Governmental Activities</b>	<b>\$23,749,073</b>	<b>\$1,104,083</b>	<b>\$1,302,408</b>	<b>(21,342,582)</b>

General Revenues:

Property Taxes Levied for:	
General Purposes	10,691,177
Special Revenue Purposes	252,452
Debt Service Purposes	1,334,893
Grants and Entitlements not Restricted to Specific Program	7,635,587
Revenue in Lieu of Taxes	2,504,808
Unrestricted Contributions	57,475
Investment Earnings	108,314
Other Revenues	233,680
<b>Total General Revenues</b>	<b>22,818,386</b>
Change in Net Assets	1,475,804
Net Assets Beginning of Year	41,566,202
<b>Net Assets End of Year</b>	<b>\$43,042,006</b>

See accompanying notes to the Basic Financial Statements.

Three Rivers Local School District, Ohio  
Balance Sheet  
Governmental Funds  
June 30, 2012

	General	Classroom Facility Construction	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Investments	\$9,082,404	\$40,421,293	\$9,220,954	\$58,724,651
Restricted Cash and Investments	0	113,310	34,181	147,491
<b>Receivables:</b>				
Taxes	11,162,403	0	1,653,256	12,815,659
Accounts	10,408	0	49,518	59,926
Interest	11,694	60,328	17,783	89,805
Intergovernmental	2,150,000	2,926,004	485,574	5,561,578
<b>Total Assets</b>	<b>22,416,909</b>	<b>43,520,935</b>	<b>11,461,266</b>	<b>77,399,110</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts Payable	133,162	0	56,197	189,359
Accrued Wages and Benefits	1,502,441	0	157,654	1,660,095
Compensated Absences	35,724	0	0	35,724
Contracts Payable	0	3,754,496	477,071	4,231,567
Retainage Payable	0	113,310	34,181	147,491
Deferred Revenue	9,029,818	2,962,291	1,472,508	13,464,617
<b>Total Liabilities</b>	<b>10,701,145</b>	<b>6,830,097</b>	<b>2,197,611</b>	<b>19,728,853</b>
<b>Fund Balances:</b>				
Restricted	0	36,690,838	8,457,451	45,148,289
Committed	0	0	845,718	845,718
Assigned	454,654	0	0	454,654
Unassigned	11,261,110	0	(39,514)	11,221,596
<b>Total Fund Balances</b>	<b>11,715,764</b>	<b>36,690,838</b>	<b>9,263,655</b>	<b>57,670,257</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$22,416,909</b>	<b>\$43,520,935</b>	<b>\$11,461,266</b>	<b>\$77,399,110</b>

See accompanying notes to the Basic Financial Statements.

Three Rivers Local School District, Ohio  
 Reconciliation of Total Governmental Fund Balance to  
 Net Assets of Governmental Activities  
 June 30, 2012

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Total Governmental Fund Balance		\$57,670,257
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		22,930,630
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	929,621	
Interest	56,811	
Intergovernmental	<u>2,987,276</u>	
		3,973,708
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(166,554)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		(1,976,712)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		374,731
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(39,764,054)</u>
Net Assets of Governmental Activities		<u>\$43,042,006</u>

See accompanying notes to the Basic Financial Statements.

Three Rivers Local School District, Ohio  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2012

	General	Classroom Facility Construction	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$10,737,927	\$0	\$1,596,874	\$12,334,801
Revenue in lieu of taxes	2,150,267	0	354,541	2,504,808
Tuition and Fees	416,740	0	0	416,740
Investment Earnings	33,085	102,148	23,219	158,452
Intergovernmental	6,564,006	18,977,135	2,412,901	27,954,042
Extracurricular Activities	12,283	0	204,651	216,934
Charges for Services	51,219	0	445,499	496,718
Other Revenues	142,259	0	122,588	264,847
<b>Total Revenues</b>	<b>20,107,786</b>	<b>19,079,283</b>	<b>5,160,273</b>	<b>44,347,342</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	8,112,883	0	133,174	8,246,057
Special	3,023,484	0	730,044	3,753,528
Vocational	0	0	2,390	2,390
Other	522,787	0	12,490	535,277
<b>Support Services:</b>				
Pupil	1,230,499	0	8,753	1,239,252
Instructional Staff	480,904	0	26,872	507,776
General Administration	48,024	0	0	48,024
School Administration	1,602,305	0	148	1,602,453
Fiscal	519,453	0	39,558	559,011
Operations and Maintenance	1,466,706	0	0	1,466,706
Pupil Transportation	1,377,860	0	33,797	1,411,657
Central	567,242	0	13,467	580,709
Operation of Non-Instructional Services	92,019	0	819,654	911,673
Extracurricular Activities	377,184	0	176,987	554,171
Capital Outlay	0	12,525,372	2,473,491	14,998,863
<b>Debt Service:</b>				
Principal Retirement	0	0	540,000	540,000
Interest and Fiscal Charges	57,852	0	1,988,579	2,046,431
Bond Issuance Costs	60,135	0	0	60,135
<b>Total Expenditures</b>	<b>19,539,337</b>	<b>12,525,372</b>	<b>6,999,404</b>	<b>39,064,113</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>568,449</b>	<b>6,553,911</b>	<b>(1,839,131)</b>	<b>5,283,229</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	5	0	3,147	3,152
Issuance of Long-term Debt	0	0	2,400,000	2,400,000
Premium on Bonds and Notes Issued	61,276	0	0	61,276
Transfers In	0	0	29,663	29,663
Transfers (Out)	(21,000)	0	(8,663)	(29,663)
<b>Total Other Financing Sources (Uses)</b>	<b>40,281</b>	<b>0</b>	<b>2,424,147</b>	<b>2,464,428</b>
<b>Net Change in Fund Balance</b>	<b>608,730</b>	<b>6,553,911</b>	<b>585,016</b>	<b>7,747,657</b>
<b>Fund Balance Beginning of Year, Restated</b>	<b>11,107,034</b>	<b>30,136,927</b>	<b>8,678,639</b>	<b>49,922,600</b>
<b>Fund Balance End of Year</b>	<b>\$11,715,764</b>	<b>\$36,690,838</b>	<b>\$9,263,655</b>	<b>\$57,670,257</b>

See accompanying notes to the Basic Financial Statements.

Three Rivers Local School District, Ohio  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2012

Net Change in Fund Balance - Total Governmental Funds \$7,747,657

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

Governmental funds report capital asset additions as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	15,064,929	
Depreciation Expense	(331,959)	
		14,732,970

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss.

(18,975)

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

Delinquent Property Taxes	(56,279)	
Interest	(50,138)	
Intergovernmental	(19,016,048)	
		(19,122,465)

In the statement of activities, certain costs and proceeds associated with long-term debt obligations issued during the year are accrued and amortized over the life of the debt obligation. In governmental funds these costs and proceeds are recognized as financing sources and uses.

Bond Issuance Costs	60,135	
Premium on Bonds Issued	(61,276)	
		(1,141)

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

540,000

In the statement of activities interest expense is accrued when incurred, whereas in governmental funds an interest expenditure is reported when due.

(5,928)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	85,650	
Amortization of Bond Issuance Cost	(13,989)	
Amortization of Bond Premium	41,555	
Amortization of Bond Discount	(9,783)	
Bond Accretion	(99,747)	
		3,686

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.

(2,400,000)

Change in Net Assets of Governmental Activities

\$1,475,804

See accompanying notes to the Basic Financial Statements.

Three Rivers Local School District, Ohio  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2012

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	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$75,026	\$72,199
Receivables:		
Accounts	0	65
Total Assets	<u>75,026</u>	<u>72,264</u>
Liabilities:		
Accounts Payable	0	199
Other Liabilities	0	72,065
Total Liabilities	<u>0</u>	<u>\$72,264</u>
Net Assets:		
Held in Trust	<u>75,026</u>	
Total Net Assets	<u>\$75,026</u>	

See accompanying notes to the Basic Financial Statements.

Three Rivers Local School District, Ohio  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2012

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	Private Purpose Trust
Additions:	
Donations	\$13,553
Investment Earnings	46
Total Additions	<u>13,599</u>
Deductions:	
Scholarships	<u>18,245</u>
Total Deductions	<u>18,245</u>
Change in Net Assets	(4,646)
Net Assets Beginning of Year	<u>79,672</u>
Net Assets End of Year	<u><u>\$75,026</u></u>

See accompanying notes to the Basic Financial Statements.



**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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**Note 1 – Description of the District**

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The Three Rivers Local School District, Ohio (the "District") was originally chartered by the Ohio State Legislature. In 1853, state laws were enacted to create local Boards of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code. The District operates under a locally elected five-member Board of Education (the Board) and is responsible for the education of the residents of the District. This Board controls the District's instructional and support facilities staffed by 114 non-certificated personnel and 141 certified teaching and administrative personnel to provide services to students and other community members.

**Note 2 - Summary of Significant Accounting Policies**

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

**Reporting Entity**

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

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

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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**Measurement Focus**

Government-wide Financial Statements

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

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

Fund Financial Statements

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

The private purpose trust fund is reported using the economic resources measurement focus.

**Fund Accounting**

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

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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Governmental Funds

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

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has two agency funds. The Student Managed Activity Agency Fund is used to account for assets and liabilities generated by student managed activities. The Section 125 Agency Fund is used to account for funds that belong to others as a result of outstanding checks over one year old. The District's only trust fund is a private purpose trust which accounts for scholarship programs for students.

**Basis of Accounting**

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

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Unearned Revenue

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

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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Expenses/Expenditures

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

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

**Equity in Pooled Cash and Investments**

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

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

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2012 credited to the General Fund amounted to \$33,085, \$102,148 in the Classroom Facilities Construction Fund and \$23,219 in Other Governmental Funds.

**Inventory**

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

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

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

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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**Capital Assets**

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

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

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

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

**Interfund Activity**

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

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

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

**Compensated Absences**

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

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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

**Fund Balance**

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

Nonspendable – resources that are not in spendable form or have legal or contractual requirements to maintain the balance intact.

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

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

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

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

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

**Restricted Assets**

Restricted assets in the general fund represent equity in pooled cash and investments set aside for retainage payable.

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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**Net Assets**

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the \$23,001,753 in restricted net assets, none were restricted by enabling legislation.

**Estimates**

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

**Note 3 – Accountability**

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The following funds had a deficit in fund balance:

<b>Other Governmental Funds:</b>	<b><u>Amounts</u></b>
Title VI-B Pre-School	\$39,514

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

**Note 4 – Equity in Pooled Cash and Investments**

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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.



**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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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:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAROhio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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

**Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2012, \$3,966,051 of the District's bank balance of \$10,423,706 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

**Investments**

As of June 30, 2012, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
US Treasury Notes	\$9,331,570	0.46
Federal Home Loan Mortgage	1,636,528	0.67
Federal Home Loan Bank	2,656,173	0.39
Fannie Mae	224,933	2.66
Federal Farm Credit Bank	2,498,341	2.07
Money Market Funds	32,316,277	0.00
Total Fair Value	<u>\$48,663,822</u>	
Portfolio Weighted Average Maturity		0.25

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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

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

Concentration of Credit Risk – The District’s investment policy allows investments in U.S. Agencies or Instrumentalities. The District has 19.1% invested in US Treasury Notes, 3.4% in Federal Home Loan Mortgage, 5.5% invested in Federal Home Loan Bank, 0.5% invested in Fannie Mae, 5.1% invested in Federal Farm Credit Bank and 66.4% invested in Money Market Funds.

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

**Note 5 - Property Taxes**

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

Tangible personal property tax revenue received during calendar year 2012 (other than public utility property tax) represents the collection of 2012 taxes levied against local and interexchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2009 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2012 were levied after April 1, 2011, on the value as of December 31, 2011. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Hamilton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2013 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2012. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance \$4,119,000 in the General Fund and \$619,000 in Other Governmental Funds.

The assessed value, by property classification, upon which taxes collected in 2012 were based as follows:

	<u>Amount</u>
Public Utility Personal	\$63,227,640
Real Estate	<u>307,679,850</u>
Total	<u><u>\$370,907,490</u></u>

**Note 6 – Receivables**

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Receivables at June 30, 2012, consisted of property taxes, accounts interest, and intergovernmental grants. All receivables are considered collectible in full and will be received within one year with the exception of the property taxes and the grant from the Ohio School Facilities Commission. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

**Note 7 – Capital Assets**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$4,315,843	\$47,058	\$0	\$4,362,901
Construction in Progress	1,674,982	14,466,381	0	16,141,363
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	9,512,511	534,650	57,500	9,989,661
Transportation	1,924,520	7,178	31,730	1,899,968
Equipment and Fixtures	1,987,940	9,662	41,480	1,956,122
Totals at Historical Cost	<u>19,415,796</u>	<u>15,064,929</u>	<u>130,710</u>	<u>34,350,015</u>
Less Accumulated Depreciation:				
Buildings and Improvements	8,159,828	151,434	38,525	8,272,737
Transportation	1,575,551	46,979	31,730	1,590,800
Equipment and Fixtures	1,463,782	133,546	41,480	1,555,848
Total Accumulated Depreciation	<u>11,199,161</u>	<u>331,959</u>	<u>111,735</u>	<u>11,419,385</u>
Governmental Activities Capital Assets, Net	<u>\$8,216,635</u>	<u>\$14,732,970</u>	<u>\$18,975</u>	<u>\$22,930,630</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$146,106
Special	10,715
Other Instruction	1,211
Support Services:	
Pupil	1,836
Instructional Staff	1,883
School Administration	344
Fiscal	786
Operations and Maintenance	15,267
Pupil Transportation	64,546
Central	21,662
Operation of Non-Instructional Services	31,268
Extracurricular Activities	36,335
Total Depreciation Expense	<u>\$331,959</u>

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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**Note 8 – Risk Management**

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The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, commercial insurance carriers provided insurance coverage for property, liability, and vehicles. There has been no significant reduction in the coverage in the current fiscal year and settlements have not exceeded insurance coverage in any of the past 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 also provides the life insurance coverage for the District. The District pays the State Workers' Compensation System a premium based on a rate per \$1,000 of salaries. This rate is calculated based on accident history and administrative costs.

**Note 9 - Pension Plans**

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**School Employees Retirement System of Ohio**

Plan Description

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

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2012, 2011, and 2010 were \$494,880, \$522,504, and \$450,193, respectively; 67% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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**State Teachers Retirement System of Ohio**

Plan Description

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

Plan Options

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

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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DC Plan Benefits

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

Combined Plan Benefits

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

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

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

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

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

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



**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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Funding Policy

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2011, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2012, 2011, and 2010 were \$1,276,804, \$1,383,007, and \$1,367,028, respectively; 100% has been contributed for fiscal year 2012, 2011 and 2010.

**Note 10- Post Employment Benefits**

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**School Employees Retirement System of Ohio**

Plan Description

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

Medicare Part B Plan

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

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was .76%. District contributions for the year ended June 30, 2012, 2011 and 2010 were \$26,865, \$28,365 and \$24,439, respectively, which equaled the required contributions each year.

Health Care Plan

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

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2012, the health care allocation was 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2012, 2011, and 2010 were \$50,548, \$53,370, and \$14,792, respectively; 67% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

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

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

**State Teachers Retirement System of Ohio**

Plan Description

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

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

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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

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

**Funding Policy**

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2012, 2011 and 2010. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2012, 2011, and 2010 were \$91,200, \$98,786, and \$97,645, respectively; 100% has been contributed for fiscal year 2012, 2011 and 2010.

**Note 11 - Long-Term Liabilities**

The changes in the District's long-term obligations during fiscal year 2012 were as follows:

	Rate	Maturity Dates	Beginning Balance	Additions	Deletions	Ending Balance	Due In One Year
<b>Governmental Activities:</b>							
2010 School Improvement Build America Bonds	5.11-6.37%	12/01/47	\$21,890,000	\$0	\$0	\$21,890,000	\$0
Discount on Build America Bonds			(171,570)	0	4,733	(166,837)	0
2010 School Improvement Qualified School Construction Bonds	5.21%	09/15/27	11,260,000	0	0	11,260,000	0
Discount on Qualified School Construction Bonds			(85,857)	0	5,050	(80,807)	0
2010 School Improvement Tax Exempt Current Interest Bonds	2.00-2.75%	12/01/32	2,885,000	0	(540,000)	2,345,000	740,000
2010 School Improvement Tax Exempt Capital Appreciation			1,110,000	0	0	1,110,000	0
2010 School Improvement Tax Exempt Accretion of Interest			58,442	93,037	0	151,479	0
Premium on Tax Exempt Current Interest Bonds			828,788	0	(39,002)	789,786	0
2011 Certificate of Participation Current Interest Bonds	2.00-3.25%	12/01/30	0	2,310,000	0	2,310,000	0
2011 Certificate of Participation Capital Appreciation Bonds			0	90,000	0	90,000	0
2011 Certificate of Participation Accretion of Interest			0	6,710	0	6,710	0
Premium on Certificate of Participation Current Interest Bonds			0	61,276	(2,553)	58,723	0
Total Bonds			37,774,803	2,561,023	(571,772)	39,764,054	740,000
Compensated Absences			2,216,049	207,058	(410,671)	2,012,436	211,327
Total Governmental Activities			\$39,990,852	\$2,768,081	(\$982,443)	\$41,776,490	\$951,327

On September 30, 2010, the District issued \$21,890,000 in School Improvement Build America Bonds for a discount of \$175,120 at an interest rate between 5.11% and 6.37% throughout the life of the bonds. The bonds will mature on 12/1/2047.

On September 30, 2010, the District issued \$11,260,000 in School Improvement Qualified School Construction Bonds for a discount of \$90,020 at an interest rate of 5.21% throughout the life of the bonds. The bonds will mature on 9/15/2027.

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

On September 30, 2010, the District issued \$2,885,000 in Tax Exempt Current Interest Bonds and \$1,110,000 in Tax Exempt Capital Appreciation Bonds for a net premium of \$858,039 at an interest rate between 2.00% and 2.75% throughout the life of the bonds. The bonds will mature on 12/1/32.

On September 28, 2011, the District issued \$2,310,000 in Certificate of Participation Current Interest Bonds and \$90,000 in Certificate of Participation Capital Appreciation Bonds for a net premium of \$61,276 at an interest rate between 2.00% and 3.25% throughout the life of bonds. The bonds will mature on 12/1/30.

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

All long term debt payments will be made out of the Debt Service Fund. Compensated Absences will be paid out of the General Fund.

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

Fiscal Year Ending June 30,	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$740,000	\$2,060,160	\$2,800,160	\$0	\$0	\$0
2014	880,000	2,043,960	2,923,960	0	0	0
2015	910,000	2,033,260	2,943,260	0	0	0
2016	980,000	2,029,060	3,009,060	0	0	0
2017	1,000,000	2,024,154	3,024,154	0	0	0
2018-2022	5,300,000	10,000,250	15,300,250	45,000	95,000	140,000
2023-2027	5,575,000	9,716,327	15,291,327	45,000	95,000	140,000
2028-2032	1,720,000	6,668,553	8,388,553	920,000	3,220,000	4,140,000
2033-2037	4,395,000	5,914,083	10,309,083	190,000	845,000	1,035,000
2038-2042	6,535,000	4,150,198	10,685,198	0	0	0
2043-2047	7,970,000	1,884,156	9,854,156	0	0	0
2048	1,800,000	57,366	1,857,366	0	0	0
	<u>\$37,805,000</u>	<u>\$48,581,527</u>	<u>\$86,386,527</u>	<u>\$1,200,000</u>	<u>\$4,255,000</u>	<u>\$5,455,000</u>

**Note 12 - Jointly Governed Organizations**

*Hamilton/Clermont Cooperative Association*

The Hamilton Clermont County Cooperative Association (HCCA) is a jointly governed organization consisting of thirty-one school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and institutional functions among districts. Each of the Districts supports HCCA and share in a percentage of equity based on the resources provided.

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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HCCA is governed by the board of directors consisting of superintendents of the member school boards. The degree of control exercised by any participating district is limited to its representation on the board. The operating budget of HCCA is funded by state funds and by contributions from each member district based upon a per pupil fee.

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

*Great Oaks Institute of Technology and Career Development*

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

**Note 13 – Contingencies**

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**Student Attendance Data Review**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

**Litigation**

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

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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**Duke Energy Contingency**

In June 2010, Duke Energy notified School District customers in southwest Ohio that it had appealed its personal property valuation with the Ohio Department of Taxation and was going to reduce its tax payments while the appeal was in process. The impact on the District is estimated at \$720,000 in 2010 and \$322,000 in 2011 per year if Duke wins the appeal. Duke’s appeal for 2010 was not upheld by the Tax Commissioner and is awaiting a hearing with the Board of Tax Appeal. The subsequent filings for 2011 and 2012 by Duke have not been heard at this time. However, the District has adjusted it’s forecasted tax revenues to reflect this change and has sufficient cash reserves to cover the repayment of taxes that would be necessary if Duke wins the appeal.

**Note 14 - Required Set-Asides**

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

For the fiscal year ended June 30, 2012, the District was not required to set aside funds in the budget reserve set-aside. The budget stabilization balance available at June 30, 2011 was, however, used during the fiscal year to balance the District’s budget.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set Aside Reserve Balance as of June 30, 2011	(\$212,588)	\$0	\$182,210
Current Year Set Aside Requirements	0	327,078	0
Qualified Disbursements	0	(365,831)	(182,210)
Elimination per H.B. 30 of the Ohio 129th General Assembly	<u>212,588</u>	<u>0</u>	<u>0</u>
Set Aside Reserve Balance as of June 30, 2012	<u><u>\$0</u></u>	<u><u>(\$38,753)</u></u>	<u><u>\$0</u></u>

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

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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**Note 15 - Interfund Transactions**

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Interfund transactions at June 30, 2012, consisted of the following transfers in and transfers out:

	Transfers	
	In	Out
General Fund	\$0	\$21,000
Other Governmental Funds	29,663	8,663
		0
Total All Funds	<u>\$29,663</u>	<u>\$29,663</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed. A \$8,663 transfer from the Spring Recognition Fund to the Permanent Improvement Fund was made to record proceeds from fundraisers to help capital campaigns.

**Note 16 – Construction and Commitments**

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

The Zimmer Company	\$148,158
SFA Architects	767,573
Neyer Plumbing, Inc.	1,850,402
Jackson Drilling & Pump Co.	713,798
Tricon, Inc.	16,636,349
Evans Landscaping, Inc.	786,117
Turner Construction Company	1,717,680
Delta Electrical Contractors	6,827,672
Hagerman Construction Corp.	4,733,618
Peck, Hannaford & Briggs	6,470,750
Dalmatian Fire, Inc.	457,755
Village of Cleves	380,000
Total	<u>\$41,489,872</u>

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

**Note 17 – Fund Balances**

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

Fund Balances	General	Classroom Facilities Construction	Other Governmental Funds	Total
<b>Restricted for:</b>				
Spring Recognition	\$0	\$0	\$44,970	\$44,970
Classroom Maintenance	0	0	352,259	352,259
Extracurricular Student Activities	0	0	137,132	137,132
Vocational Education	0	0	2,743	2,743
Title I	0	0	7,372	7,372
Classroom Size Reduction	0	0	2,181	2,181
Food Service Operations	0	0	229,366	229,366
Debt Service Payments	0	0	1,565,159	1,565,159
Construction of Buildings	0	36,690,838	6,116,269	42,807,107
<b>Total Restricted</b>	0	36,690,838	8,457,451	45,148,289
<b>Committed to:</b>				
Capital Improvements	0	0	845,718	845,718
<b>Total Committed</b>	0	0	845,718	845,718
<b>Assigned to:</b>				
Public School Support	202,933	0	0	202,933
Encumbrances	251,721	0	0	251,721
<b>Total Assigned</b>	454,654	0	0	454,654
<b>Unassigned (Deficit)</b>	11,261,110	0	(39,514)	11,221,596
<b>Total Fund Balance</b>	\$11,715,764	\$36,690,838	\$9,263,655	\$57,670,257



**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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**Note 18 – Restatement of Fund Balance**

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The District implemented GASB54 in fiscal year 2011; however, the financial statements were completed before the Auditor of State Bulletin 2011-004 was published. The District made the proper restatements necessary to reflect GASB54 implementation in fiscal year 2012. The restatement in fund balance (due to GASB 54) had the following effects on fund balance of the following major and non-major (other governmental) funds of the District as they were previously reported.

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Fund Balance, June 30, 2011	\$10,759,949	\$6,093,719	\$2,932,005	\$19,785,673
Change in Fund Structure	347,085	0	(347,085)	0
Change in Major Fund	0	(6,093,719)	6,093,719	0
Fund Balance, June 30, 2011 - Restated	<u>\$11,107,034</u>	<u>\$0</u>	<u>\$8,678,639</u>	<u>\$19,785,673</u>

# **REQUIRED SUPPLEMENTARY INFORMATION**

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Three Rivers Local School District, Ohio  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2012

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$10,116,917	\$10,715,807	\$10,968,798	\$252,991
Revenue in lieu of taxes	1,983,269	2,100,672	2,150,267	49,595
Tuition and Fees	272,097	288,205	295,009	6,804
Investment Earnings	28,174	29,841	30,546	705
Intergovernmental	6,054,219	6,412,610	6,564,006	151,396
Charges for Services	41,508	43,965	45,003	1,038
Other Revenues	62,994	66,723	68,298	1,575
<b>Total Revenues</b>	<b>18,559,178</b>	<b>19,657,823</b>	<b>20,121,927</b>	<b>464,104</b>
Expenditures:				
Current:				
Instruction:				
Regular	8,508,783	8,396,258	8,138,747	257,511
Special	3,098,657	3,057,679	2,963,901	93,778
Other	546,556	539,328	522,787	16,541
Support Services:				
Pupil	1,290,531	1,273,465	1,234,408	39,057
Instructional Staff	620,445	612,240	593,463	18,777
General Administration	51,297	50,618	49,066	1,552
School Administration	1,735,717	1,712,763	1,660,233	52,530
Fiscal	549,413	542,147	525,520	16,627
Operations and Maintenance	1,703,641	1,681,111	1,629,552	51,559
Pupil Transportation	1,456,588	1,437,325	1,393,243	44,082
Central	628,726	620,412	601,384	19,028
Operation of Non-Instructional Services	43,887	43,306	41,978	1,328
Extracurricular Activities	399,115	393,837	381,758	12,079
Debt Service:				
Interest and Fiscal Charges	60,482	59,682	57,852	1,830
Bond Issuance Cost	62,869	62,038	60,135	1,903
<b>Total Expenditures</b>	<b>20,756,707</b>	<b>20,482,209</b>	<b>19,854,027</b>	<b>628,182</b>
Excess of Revenues Over (Under) Expenditures	(2,197,529)	(824,386)	267,900	1,092,286
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	5	5	5	0
Premium on Bonds Issued	56,517	59,863	61,276	1,413
Advances In	69,267	73,368	75,100	1,732
Transfers (Out)	(66,677)	(65,795)	(63,777)	2,018
<b>Total Other Financing Sources (Uses)</b>	<b>59,112</b>	<b>67,441</b>	<b>72,604</b>	<b>5,163</b>
Net Change in Fund Balance	(2,138,417)	(756,945)	340,504	1,097,449
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	7,956,841	7,956,841	7,956,841	0
<b>Fund Balance End of Year</b>	<b>\$5,818,424</b>	<b>\$7,199,896</b>	<b>\$8,297,345</b>	<b>\$1,097,449</b>

See accompanying notes to the required supplementary information.

**Three Rivers Local School District, Ohio**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2012**

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**Note 1 – Budgetary Process**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2012.

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

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

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

**Three Rivers Local School District, Ohio**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2012**

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The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$608,730
Revenue Accruals	14,126
Expenditure Accruals	53,750
Transfers (Out)	(42,777)
Advances In	75,100
Encumbrances	(363,077)
Funds Budgeted Elsewhere	<u>(5,348)</u>
Budget Basis	<u><u>\$340,504</u></u>

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**Three Rivers Local School District  
Schedule of Receipts and Expenditures of Federal Awards  
Year Ended June 30, 2012**

Federal Grant / Program Title	Pass Through Identifying Number	Federal CFDA Number	Receipts	Expenditures
U.S. Department of Agriculture (Passed Through Ohio Department of Education)				
Nutrition Cluster				
School Breakfast	05PU-2012	10.553	60,731	60,731
National School Lunch	LLP4-2012	10.555	276,182	276,182
Total U.S. Department of Agriculture			336,913	336,913
U.S. Department of Education (Passed Through Ohio Department of Education)				
Special Education Cluster				
Title VI-B	6BSF-2012	84.027	361,381	379,701
Title VI-B ARRA		84.391	74,670	51,398
ESCE Preschool		84.173	13,575	13,575
Total Special Education Cluster			449,626	444,674
Title III Limited English Proficiency		84.365	0	1,174
Title I Part A Cluster				
ESEA Title I	C1S1-2012	84.010	264,776	280,356
ESEA Title I ARRA		84.389	32,811	52,869
Total Title I Part A Cluster			297,587	333,225
Technology - Title II	T3S1-2012	84.318	1,812	1,812
Improving Teacher Quality		84.367	100,518	105,551
ARRA - Ed Jobs		84.410	52,959	64,225
<b><i>Passed through Great Oaks Institute of Technology and Career Development</i></b>				
Vocational Education Basic Grants to States		84.048	4,296	3,338
Total U.S. Department of Education			906,798.00	953,999.00
Total Federal Awards			<u>1,243,711.00</u>	<u>1,290,912.00</u>

**THREE RIVERS LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) reports the Three Rivers Local School District (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting

**NOTE B CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.





# Dave Yost • Auditor of State

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

Three Rivers Local School District  
Hamilton County  
92 Cleves Avenue  
Cleves, Ohio 45002

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Three Rivers Local School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 12, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

### Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Three Rivers Local School District  
Hamilton County  
Independent Accountants' Report on Internal Control Over Financial Reporting And On  
Compliance and Other Matters Required by Government Auditing Standards  
Page 2

We did note a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 12, 2013.

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

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

**Dave Yost**  
Auditor of State

February 12, 2013



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Three Rivers Local School District  
Hamilton County  
92 Cleves Avenue  
Cleves, Ohio 45002

To the Board of Education:

### Compliance

We have audited the compliance of Three Rivers Local School District, Hamilton County, Ohio (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 could directly and materially affect each of the Three Rivers Local School District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the Three Rivers Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

We intend this report solely for the information and use of the audit committee, management, Board of Education, others within the District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

**Dave Yost**  
Auditor of State

February 12, 2013

**THREE RIVERS LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA# 10.553 and 10.555 Nutrition Cluster CFDA# 84.027, 84.391, and 84.173 Special Education Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

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**THREE RIVERS LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	Accurate Capital Asset List is Not Being Maintained.	No	Repeated in the Management Letter

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# Dave Yost • Auditor of State

**THREE RIVERS LOCAL SCHOOL DISTRICT**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 21, 2013**