

MT. HEALTHY CITY SCHOOL DISTRICT

**GENERAL PURPOSE
FINANCIAL STATEMENTS**

June 30, 2000

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Mount Healthy City School District
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We have reviewed the Independent Auditor's Report of the Mount Healthy City School District, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 1999 through June 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

March 27, 2001

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PLATTENBURG & ASSOCIATES, INC./CERTIFIED PUBLIC ACCOUNTANTS

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Independent Accountants' Report

February 2, 2001

Board of Education
Mt. Healthy City School District

We have audited the accompanying general purpose financial statements of the Mt. Healthy City School District (the District), as of and for the year ended June 30, 2000. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 2, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulation, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plattenburg & Associates, Inc.
Certified Public Accountants

Mt. Healthy City School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Equity in Pooled Cash and Investments	\$1,775,985	\$293,719	\$29,112	\$158,240
Restricted Cash	168,887	0	0	0
Receivables:				
Taxes	10,276,000	0	1,000,000	0
Intergovernmental	0	0	0	0
Accounts	56,058	0	0	0
Interfund Receivable	616,811	4,066	0	0
Inventory	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets & Other Debits	<u>\$12,893,741</u>	<u>\$297,785</u>	<u>\$1,029,112</u>	<u>\$158,240</u>
Liabilities, Fund Equity & Other Credits:				
Liabilities:				
Accounts Payable	\$5,098	\$0	\$0	\$0
Accrued Wages & Benefits	3,150,116	85,724	0	0
Compensated Absences Payable	206,569	20,666	0	0
Interfund Payable	0	599,679	0	13,725
Deferred Revenue	8,020,600	0	1,000,000	0
Due to Students	0	0	0	0
Capital Lease Obligations	0	0	0	0
Total Liabilities	<u>11,382,383</u>	<u>706,069</u>	<u>1,000,000</u>	<u>13,725</u>
Fund Equity & Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	597,282	118,754	0	0
Reserved for Property Tax Advances	2,255,400	0	0	0
Reserved For Set-Asides	168,887	0	0	0
Unreserved & Undesignated	(1,510,211)	(527,038)	29,112	144,515
Total Fund Equity (Deficit) & Other Credits	<u>1,511,358</u>	<u>(408,284)</u>	<u>29,112</u>	<u>144,515</u>
Total Liabilities, Fund Equity & Other Credits	<u>\$12,893,741</u>	<u>\$297,785</u>	<u>\$1,029,112</u>	<u>\$158,240</u>

See accompanying notes.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$174,383	\$24,008	\$41,967	\$0	\$0	\$2,497,414
0	0	0	0	0	168,887
0	0	0	0	0	11,276,000
69,702	0	0	0	0	69,702
3,454	0	0	0	0	59,512
0	0	0	0	0	620,877
33,447	0	0	0	0	33,447
199,176	0	0	16,880,302	0	17,079,478
0	0	0	0	29,112	29,112
0	0	0	0	2,015,620	2,015,620
<u>\$480,162</u>	<u>\$24,008</u>	<u>\$41,967</u>	<u>\$16,880,302</u>	<u>\$2,044,732</u>	<u>\$33,850,049</u>
\$0	\$0	\$0	\$0	\$0	\$5,098
142,279	0	0	0	146,695	3,524,814
19,910	0	0	0	1,315,530	1,562,675
7,386	0	87	0	0	620,877
28,180	0	0	0	0	9,048,780
0	0	33,985	0	0	33,985
0	0	0	0	582,507	582,507
<u>197,755</u>	<u>0</u>	<u>34,072</u>	<u>0</u>	<u>2,044,732</u>	<u>15,378,736</u>
0	0	0	16,880,302	0	16,880,302
282,407	24,008	0	0	0	306,415
0	0	0	0	0	716,036
0	0	0	0	0	2,255,400
0	0	0	0	0	168,887
0	0	7,895	0	0	(1,855,727)
<u>282,407</u>	<u>24,008</u>	<u>7,895</u>	<u>16,880,302</u>	<u>0</u>	<u>18,471,313</u>
<u>\$480,162</u>	<u>\$24,008</u>	<u>\$41,967</u>	<u>\$16,880,302</u>	<u>\$2,044,732</u>	<u>\$33,850,049</u>

Mt. Healthy City School District
 Combined Statement of Revenues, Expenditures
 And Changes in Fund Balance
 All Governmental Fund Types and Expendable Trust Funds
 For the Year Ended June 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Taxes	\$8,411,863	\$0	\$1,000,000	\$0
Intergovernmental	15,181,341	1,610,662	0	0
Investment	294,225	3,822	0	0
Tuition & Fees	580,064	0	0	0
Extracurricular Activities	50	101,245	0	0
Miscellaneous	34,447	65,229	0	74,564
Total Revenues	24,501,990	1,780,958	1,000,000	74,564
Expenditures:				
Current:				
Instruction:				
Regular	12,333,706	410,223	0	13,725
Special	2,408,927	389,085	0	0
Vocational	112,112	15,384	0	0
Other	248,787	11,498	0	0
Support Services:				
Pupils	1,307,671	150,420	0	0
Instructional Staff	1,185,303	296,264	0	49,081
Board of Education	93,820	0	0	0
Administration	1,598,150	111,168	0	0
Fiscal	486,220	0	0	0
Business	42,073	0	0	0
Operation & Maintenance of Plant	2,603,615	24,213	0	17,425
Pupil Transportation	1,452,600	6,572	0	0
Central	555,833	15,363	0	0
Operation of Non-Instructional Services	9,313	209,029	0	0
Extracurricular Activities	384,312	161,042	0	0
Capital Outlay	286,394	14,045	0	0
Debt Service:				
Principal Retirement	0	0	78,354	0
Interest & Fiscal Charges	40,477	0	27,904	0
Total Expenditures	25,149,313	1,814,306	106,258	80,231
Excess of Revenues Over (Under) Expenditures	(647,323)	(33,348)	893,742	(5,667)
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets	10,238	0	0	0
Operating Transfers In	1,000,000	9,224	0	0
Operating Transfers Out	(9,224)	0	(1,000,000)	0
Total Other Financing Sources (Uses)	1,001,014	9,224	(1,000,000)	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	353,691	(24,124)	(106,258)	(5,667)
Fund Balance, Beginning of Year	1,168,907	(384,160)	135,370	150,182
Increase (Decrease) in Reserve for Inventory	(11,240)	0	0	0
Fund Balance, End of Year	\$1,511,358	(\$408,284)	\$29,112	\$144,515

See accompanying notes.

Fiduciary Fund Type	Totals (Memorandum Only)
Expendable Trust	
\$0	\$9,411,863
0	16,792,003
0	298,047
0	580,064
0	101,295
20	174,260
<u>20</u>	<u>27,357,532</u>
0	12,757,654
0	2,798,012
0	127,496
0	260,285
0	1,458,091
0	1,530,648
0	93,820
0	1,709,318
0	486,220
0	42,073
0	2,645,253
0	1,459,172
0	571,196
0	218,342
0	545,354
0	300,439
0	78,354
0	68,381
<u>0</u>	<u>27,150,108</u>
<u>20</u>	<u>207,424</u>
0	10,238
0	1,009,224
0	(1,009,224)
<u>0</u>	<u>10,238</u>
20	217,662
7,875	1,078,174
<u>0</u>	<u>(11,240)</u>
<u>\$7,895</u>	<u>\$1,284,596</u>

Mt. Healthy City School District
 Combined Statement of Revenues, Expenditures
 And Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 All Governmental Fund Types
 For the Year Ended June 30, 2000

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$9,601,297	\$9,463,163	(\$138,134)	\$0	\$0	\$0
Intergovernmental	15,402,945	15,181,342	(221,603)	2,185,271	1,610,662	(574,609)
Investment	298,520	294,225	(4,295)	0	3,822	3,822
Tuition & Fees	541,673	533,880	(7,793)	0	0	0
Extracurricular Activities	50	50	0	134,296	101,245	(33,051)
Miscellaneous	37,719	37,176	(543)	86,363	65,109	(21,254)
Total Revenues	25,882,204	25,509,836	(372,368)	2,405,930	1,780,838	(625,092)
Expenditures:						
Current:						
Instruction:						
Regular	12,290,934	12,290,934	0	526,569	420,791	105,778
Special	2,368,384	2,368,384	0	502,845	428,069	74,776
Vocational	117,784	117,784	0	19,404	15,459	3,945
Other	251,937	251,937	0	21,992	14,716	7,276
Support Services:						
Pupils	1,517,470	1,517,470	0	236,624	189,131	47,493
Instructional Staff	1,169,182	1,169,182	0	425,297	295,106	130,191
Board of Education	100,989	100,989	0	0	0	0
Administration	1,677,546	1,677,546	0	127,631	121,605	6,026
Fiscal	503,677	503,677	0	3,395		3,395
Business	44,882	44,882	0	0	0	0
Operation & Maintenance of Plant	2,728,439	2,728,439	0	11,900	34,539	(22,639)
Pupil Transportation	1,574,303	1,574,303	0	18,377	8,072	10,305
Central	567,099	567,099	0	20,492	19,763	729
Operation of Non-Instructional Services	9,608	9,608	0	278,665	211,105	67,560
Extracurricular Activities	394,597	394,597	0	173,981	173,981	0
Capital Outlay	513,634	513,634	0	66,108	14,045	52,063
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest & Fiscal Charges	40,477	40,477	0	0	0	0
Total Expenditures	25,870,942	25,870,942	0	2,433,280	1,946,382	486,898
Excess (Deficiency) of Revenues Over Under Expenditures	11,262	(361,106)	(372,368)	(27,350)	(165,544)	(138,194)
Other Financing Sources (Uses):						
Proceeds of Notes	1,000,000	1,000,000	0	0	0	0
Proceeds from Sale of Fixed Assets	10,237	10,237	0	0	0	0
Operating Transfers In	0	0	0	0	10,222	10,222
Operating Transfers Out	(9,224)	(9,224)	0	0	(999)	(999)
Advances In	452,295	452,295	0	9,593	570,803	561,210
Advances Out	(584,593)	(584,593)	0	(6,992)	(452,295)	(445,303)
Total Other Financing Sources (Uses)	868,715	868,715	0	2,601	127,731	125,130
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	879,977	507,609	(372,368)	(24,749)	(37,813)	(13,064)
Fund Balance, Beginning of Year (Includes Prior Year Encumbrances Appropriated)	834,885	834,885	0	212,774	212,774	0
Fund Balance, End of Year	\$1,714,862	\$1,342,494	(\$372,368)	\$188,025	\$174,961	(\$13,064)

See accompanying notes.

Debt Service			Capital Projects			Totals (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$1,000,000	\$1,000,000	\$0	\$0	\$0	\$0	\$10,601,297	\$10,463,163	(\$138,134)
0	0	0	0	0	0	17,588,216	16,792,004	(796,212)
0	0	0	0	0	0	298,520	298,047	(473)
0	0	0	0	0	0	541,673	533,880	(7,793)
0	0	0	0	0	0	134,346	101,295	(33,051)
0	0	0	231,185	79,564	(151,621)	355,267	181,849	(173,418)
1,000,000	1,000,000	0	231,185	79,564	(151,621)	29,519,319	28,370,238	(1,149,081)
0	0	0	165,500	13,725	151,775	12,983,003	12,725,450	257,553
0	0	0	0	0	0	2,871,229	2,796,453	74,776
0	0	0	0	0	0	137,188	133,243	3,945
0	0	0	0	0	0	273,929	266,653	7,276
0	0	0	0	0	0	1,754,094	1,706,601	47,493
0	0	0	50,030	49,081	949	1,644,509	1,513,369	131,140
0	0	0	0	0	0	100,989	100,989	0
0	0	0	0	0	0	1,805,177	1,799,151	6,026
0	0	0	0	0	0	507,072	503,677	3,395
0	0	0	0	0	0	44,882	44,882	0
0	0	0	21,318	21,318	0	2,761,657	2,784,296	(22,639)
0	0	0	0	0	0	1,592,680	1,582,375	10,305
0	0	0	0	0	0	587,591	586,862	729
0	0	0	0	0	0	288,273	220,713	67,560
0	0	0	0	0	0	568,578	568,578	0
0	0	0	0	0	0	579,742	527,679	52,063
1,078,354	1,078,354	0	0	0	0	1,078,354	1,078,354	0
27,904	27,904	0	0	0	0	68,381	68,381	0
1,106,258	1,106,258	0	236,848	84,124	152,724	29,647,328	29,007,706	639,622
(106,258)	(106,258)	0	(5,663)	(4,560)	1,103	(128,009)	(637,468)	(509,459)
0	0	0	0	0	0	1,000,000	1,000,000	0
0	0	0	0	0	0	10,237	10,237	0
0	0	0	0	0	0	0	10,222	10,222
0	0	0	0	0	0	(9,224)	(10,223)	(999)
0	0	0	0	13,725	13,725	461,888	1,036,823	574,935
0	0	0	0	0	0	(591,585)	(1,036,888)	(445,303)
0	0	0	0	13,725	13,725	871,316	1,010,171	138,855
(106,258)	(106,258)	0	(5,663)	9,165	14,828	743,307	372,703	(370,604)
135,369	135,369	0	149,075	149,075	0	1,332,103	1,332,103	0
\$29,111	\$29,111	\$0	\$143,412	\$158,240	\$14,828	\$2,075,410	\$1,704,806	(\$370,604)

Mt. Healthy City School District
 Combined Statement of Revenues, Expenses
 And Changes in Retained Earnings
 All Proprietary Fund Types
 For the Year Ended June 30, 2000

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
Operating Revenues:			
Charges for Services	\$464,614	\$0	\$464,614
Miscellaneous Revenue	228,080	19,413	247,493
Total Operating Revenues	<u>692,694</u>	<u>19,413</u>	<u>712,107</u>
Operating Expenses:			
Salaries	523,264	0	523,264
Fringe Benefits	231,935	0	231,935
Purchased Services	36,765	0	36,765
Materials & Supplies	458,093	0	458,093
Depreciation	27,745	0	27,745
Other Operating Expenses	2,160	36,249	38,409
Total Operating Expenses	<u>1,279,962</u>	<u>36,249</u>	<u>1,316,211</u>
Operating Income (Loss)	<u>(587,268)</u>	<u>(16,836)</u>	<u>(604,104)</u>
Non-Operating Revenues (Expenses):			
Miscellaneous Revenue	0	16,390	16,390
Donated Commodities	97,187	0	97,187
Operating Grants - State & Local	32,282	0	32,282
Operating Grants - Federal	579,902	0	579,902
Total Non-Operating Revenues	<u>709,371</u>	<u>16,390</u>	<u>725,761</u>
Net Income	122,103	(446)	121,657
Retained Earnings, Beginning of Year	<u>160,304</u>	<u>24,454</u>	<u>184,758</u>
Retained Earnings, End of Year	<u>\$282,407</u>	<u>\$24,008</u>	<u>\$306,415</u>

See accompanying notes.

Mt. Healthy City School District
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 For the Year Ended June 30, 2000

	Proprietary Fund Types		Totals (Memorandum only)
	Enterprise	Internal Service	
Cash Flows from Operating Activities:			
Cash Received from Charges for Services	\$464,614	\$0	\$464,614
Cash Received from Miscellaneous Sources	224,626	19,413	244,039
Cash Payments for Personal Services	(817,390)	0	(817,390)
Cash Payments for Contract Services	(36,765)	0	(36,765)
Cash Payments for Supplies & Materials	(360,268)	0	(360,268)
Cash Payments for Other Expenses	(2,160)	(36,249)	(38,409)
Net Cash Provided (Used) by Operating Activities	<u>(527,343)</u>	<u>(16,836)</u>	<u>(544,179)</u>
Cash Flows from Non-Capital Financing Activities:			
Cash Received from Operating Grants	542,482	0	542,482
Other	0	16,390	16,390
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>542,482</u>	<u>16,390</u>	<u>558,872</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	<u>(49,091)</u>	<u>0</u>	<u>(49,091)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(49,091)</u>	<u>0</u>	<u>(49,091)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(33,952)	(446)	(34,398)
Cash and Cash Equivalents at Beginning of Year	<u>208,335</u>	<u>24,454</u>	<u>232,789</u>
Cash and Cash Equivalents at End of Year	<u><u>\$174,383</u></u>	<u><u>\$24,008</u></u>	<u><u>\$198,391</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	(\$587,268)	(\$16,836)	(\$604,104)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	27,745	0	27,745
Donated Commodities Used	97,187	0	97,187
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivables	(3,454)	0	(3,454)
(Increase) Decrease in Materials & Supplies Inventory	11,156	0	11,156
Increase (Decrease) in Accrued Wages & Benefits	(375)	0	(375)
Increase (Decrease) in Compensated Absences Payable	(61,816)	0	(61,816)
Increase (Decrease) in Deferred Revenue	(10,518)	0	(10,518)
Net Cash Provided (Used) by Operating Activities	<u><u>(\$527,343)</u></u>	<u><u>(\$16,836)</u></u>	<u><u>(\$544,179)</u></u>

See accompanying notes.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

MOUNT HEALTHY CITY SCHOOL DISTRICT, OHIO

June 30, 2000

NOTE A-DESCRIPTION OF THE DISTRICT

The District was chartered by the Ohio State Legislature in 1832 when state laws were enacted to create local Boards of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates, under a locally elected five member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by approximately 176 support staff personnel and approximately 295 certificated full time teaching and administrative personnel to provide services to students and other community members.

The District is the 7th largest in Hamilton County in terms of enrollment. It currently operates 8 elementary schools, 2 middle schools (grades 7-8), and 1 high school (grades 9-12).

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

THE REPORTING ENTITY

For financial reporting purposes the District's financial statements include all funds and account groups and component units for which the District is financially accountable based upon criteria set forth in GASB Statement 14. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e., the District) are financially accountable. The District would consider an organization to be a component unit if:

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

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

BASIS OF PRESENTATION - FUND ACCOUNTING

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

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

General Fund

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

Special Revenue Funds

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

Debt Service Fund

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

Capital Projects Funds

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

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

Enterprise Funds

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

Internal Service Funds

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

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

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

General Fixed Assets Account Group

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

General Long Term Obligations Account Group

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

MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

Proprietary Fund Types are accounted for on a cost of services, or "capital maintenance," measurement focus. Proprietary Fund Types income statements represent increases and decreases in net total assets.

Basis of Accounting: The modified accrual basis of accounting is followed for Governmental, Expendable Trust, and Agency Funds. Under this basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after fiscal year end. Revenue accrued at the end of the fiscal year included delinquent property taxes, tuition, and state and federal grants. Property taxes measurable as of June 30, 2000 and available to the District within 60 days and which are intended to finance fiscal 2000 operations, have been recorded as revenues. Expenditures are recognized in the period in which the related fund liability is incurred, except interest on long term debt which is recorded when due.

Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred.

BUDGETARY DATA

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

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

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

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

The District adopts an annual budget for all funds. The specific timetable is as follows:

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

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

Prior to March 15, the Board of Education accepts by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate.

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

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

Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized appropriation.

Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental

appropriations were legally enacted by the Board during fiscal 1999-00 and none were significant.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

ENCUMBRANCES

Encumbrance accounting is utilized by District Funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability.

For governmental fund types encumbrances outstanding at fiscal year end appear as a reserve of the fund balance on a GAAP Basis and for all budgeted funds as equivalent of expenditures/expenses on a non-GAAP budgetary basis in order to demonstrate legal compliance.

CASH AND INVESTMENTS

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

Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to Agency Fund, Auxiliary Services, Student Activities, Employee Benefits, certain trust funds and those funds individually authorized by Board resolution.

Investment earnings are allocated to these funds based on average monthly cash balances. Investment income earned in fiscal 2000 totaled \$298,047.

For purposes of the Statement of Cash Flows (GASB Statement No. 9) all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

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

RESTRICTED CASH

Restricted cash in the general fund represents cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute. A fund balance reserve has also been established.

INVENTORY (MATERIALS AND SUPPLIES)

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

FIXED ASSETS AND DEPRECIATION

General Fixed Assets Account Group - General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$ 1000 and a useful life of less than 3 years. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District does not possess any infrastructure.

Proprietary Funds - Fixed assets reflected in the proprietary funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values, as of the date donated. Depreciation is computed using the straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture, Fixtures and Equipment	5 to 20

INTERGOVERNMENTAL REVENUES

In governmental funds, entitlements and non-reimbursable grants are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for proprietary fund operations are recognized as revenue when measurable and earned.

INTERFUND TRANSACTIONS

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

Routine transfers of resources from one fund to another fund through which resources to be expended are recorded as operating transfers.

Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and as a reduction in expenditures/expenses in the reimbursed fund.

Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds.

COMPENSATED ABSENCES

GASB Statement 16 specifies that compensated absences should be accrued as they are earned by employees if both the following conditions are met:

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

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

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificate</u>
How earned	Not Eligible at start of each contract year	15-20 days service year depending on length of service	10-20 days for each
Maximum Accumulation	Not Applicable	Unlimited	Unlimited
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination
<u>Sick Leave</u>			
How Earned	1-1/2 days per month of employment (18 days per year)	1-1/2 days per month of employment (18 days per year)	1-1/2 days per month of employment (18 days per year)
Maximum Accumulation	265 days	265 days	265 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

For Governmental Funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of its respected Governmental fund. Amounts that are not expected to be liquidated with expendable available financial resources are reported in the General Long Term Obligations Account Group, Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

LONG-TERM OBLIGATIONS

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

FUND EQUITY

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund equity reserves are established for encumbrances, materials and supplies inventory, property taxes and budgetary set asides required under Ohio Law.

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.

MEMORANDUM ONLY-TOTAL COLUMNS

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

AUTHORITATIVE SOURCES

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

NOTE C-EQUITY IN POOLED CASH AND INVESTMENTS

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

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

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate

use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the

principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interest rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

At year end the unobligated or carrying amount of the District's deposits was \$303,952. The bank balance was \$957,433. Of the bank balance \$100,000 was covered by federal depository insurance and the remaining balance was covered by collateral held by third party trustees pursuant to Section 135.181 Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

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

Based on the above criteria, the District's investments at year-end are classified as follows:

	Carrying Value/ <u>Fair Value</u>
State Treasury Pool (1)	\$2,362,349

(1) The District's investment in the Ohio State Treasurer's Pool is not categorized because it is not evidenced by securities that exist in physical or book entry form.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorized pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

NOTE D-INTERFUND RECEIVABLES/PAYABLES

Interfund balances at year-end consisted of the following individual fund receivables and payables.

<u>Fund</u>	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
General	\$616,811	
Special Revenue	4,066	\$599,679
Capital Projects		13,725
Agency		87
Enterprise	_____	<u>7,386</u>
 TOTAL ALL FUNDS	 <u>\$620,877</u>	 <u>\$620,877</u>

NOTE E-PROPERTY TAXES

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 2000 were based are as follows:

Tangible Personal	\$ 42,795,580
Real estate	<u>273,125,373</u>
 Total assessed property value	 <u>\$315,920,953</u>

In 2000, real property taxes were levied in January on the assessed values as of January 1, 1999, the lien date. Assessed values are established by the County Auditor at 35% of appraised market

value, A revaluation of real property is required to be completed no less than every six years, with a statistical update every third year. The most recent revaluation was completed in January, 1999. Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25% of true value (as defined). In 2000, each business was eligible to receive a \$10,000 exemption in assessed value, which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2000, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which are measurable at year end. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of year end. 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 year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

NOTE F-FIXED ASSETS

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land & Land Improvements	\$ 2,870,237	\$ 0	\$ 0	\$ 2,870,237
Building & Building Improvements	10,494,830	0	0	10,494,830
Furniture & Equipment	<u>3,515,235</u>	<u>0</u>	<u>0</u>	<u>3,515,235</u>
Total	<u>\$16,880,302</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$16,880,302</u>

A summary of the Proprietary Fund fixed assets at fiscal year-end:

Land, Building, Furniture and Equipment	\$ 545,855
Less: Accumulated Depreciation	<u>(346,679)</u>
Net Fixed Assets - Proprietary Fund	<u>\$199,176</u>

NOTE G-THE GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP

The District has capital leases resulting from the acquisition of certain office equipment and energy conservation additions. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13. Equipment acquired by capital lease has been capitalized in the General Fixed Asset Account Group in an amount equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the General Long-Term Debt Account Group.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments at fiscal year-end:

<u>Year Ending</u>	<u>Amount</u>
2001	\$127,510
2002	127,510
2003	127,510
2004	127,510
2005	127,510
Thereafter	<u>31,878</u>
Total Minimum Lease Payments	\$669,428
Less:	
Amount Representing Interest	<u>86,921</u>
Present Value of Minimum Lease Payments	<u>\$582,507</u>

NOTE H-NOTES PAYABLE

A summary of the short-term note transactions at fiscal year-end:

<u>Fund Type</u>	<u>Balance Beginning of Year</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance End of Year</u>
General	\$0	\$1,000,000	\$1,000,000	\$0

NOTE I-CHANGES IN THE GENERAL. LONG TERM OBLIGATIONS ACCOUNT GROUP

During the year ended June 30, 2000, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences will be paid from the fund from which the employee is paid.

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Compensated Absences	\$1,377,050	\$ 0	\$61,520	\$1,315,530
Accrued Wages & Benefits	127,944	18,751	0	146,695
Capital Leases	<u>660,861</u>	<u>0</u>	<u>78,354</u>	<u>582,507</u>
Total	<u>\$ 2,165,855</u>	<u>\$18,751</u>	<u>\$139,874</u>	<u>\$2,044,732</u>

NOTE J-SEGMENT INFORMATION

Enterprise Funds - The District maintains two Enterprise Funds to account for the operation of Food Service and Adult Education. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the current year end.

	<u>Food Service</u>	<u>Adult Education</u>	<u>Total</u>
Operating Revenues	\$468,068	\$224,626	\$692,694
Operating Expenses before depreciation	1,034,957	217,260	1,252,217
Depreciation	27,745	0	27,745
Operating Income (Loss)	(594,634)	7,366	(587,268)
Donated Commodities	97,187	0	97,187
Operating Grants and other non-operating revenues	612,184	0	612,184
Net Income (Loss)	114,737	7,366	122,103
Net Working Capital	83,231	0	83,231
Total Assets	455,331	24,831	480,162
Total Liabilities	172,904	24,851	197,755
Total Equity	282,427	(20)	282,407

NOTE K-RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the fiscal year, Indiana Insurance Company provided insurance to the District. Great American Insurance Company provides Liability Insurance coverage with a \$3,000,000 aggregate limit to all employees and volunteers of the school district.

All vehicles are insured by Nationwide Insurance Company and hold a \$250 deductible for comprehensive and collision. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past ten years.

The District carries performance bonds in the amount of \$20,000 for the Superintendent, Treasurer and Board President by Nationwide Mutual Insurance Co. In addition the Ohio Casualty Insurance Co. maintains a \$50,000 public official bond for the Treasurer and a \$2,500 blanket bond for all other employees. The Indiana Insurance. Co. also maintains a \$10,000 public officials blanket bond for all employees. The District pays the Ohio State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The District provides a \$45,000 life insurance and accidental death and dismemberment insurance policy to all employees through CoreSource, Inc.

The District offers Medical/Surgical/Hospitalization Insurance benefits to all employees through Choice Care, which is a Health Care Maintenance Organization. The board pays the monthly fixed premium for family or single benefits.

NOTE L-EMPLOYEE RETIREMENT SYSTEMS

SCHOOL EMPLOYEES RETIREMENT SYSTEM

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

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

District's contributions to SERS for the years ending June 30, 2000, 1999 and 1998 were \$494,772, \$463,986 and \$467,700, respectively; 83% has been contributed for fiscal year 2000 and 100% for the fiscal years 1999 and 1998.

STATE TEACHERS RETIREMENT SYSTEM

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

Plan members are required to contribute 9.3% of their annual covered salary and the Mt. Healthy City School District is required to contribute 14%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions to STRS for the years ending June 30, 2000, 1999, and 1998 were \$1,843,992, \$1,730,028 and \$1,738,128, respectively; 47% has been contributed for fiscal year 2000 and 100% for the fiscal years 1999 and 1998.

NOTE M-EMPLOYEE RETIREMENT SYSTEMS

POSTEMPLOYMENT BENEFITS

The School district provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement system (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement Systems (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly medical care premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Retirement Board allocates employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. The Health Care Reserve Fund Allocation for the year ended June 30, 2000 will be 8% of covered payroll.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999. For the year ended June 30, 1999, net health

care costs paid by STRS were \$249,929,000 and STRS has 95,796 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For 2000, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984 and the target level was \$189.9 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 51,000 participants currently receiving health care benefits.

NOTE N-BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. A reconciliation of the nature and amounts of the adjustments necessary to convert the GAAP financial statements of the budgetary basis follows:

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

Governmental Fund Type

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
GAAP Basis	\$ 353,691	(\$24,124)	(\$106,258)	(\$5,667)
Net Adjustment for Revenue Accruals	1,460,140	571,681	0	18,725
Net Adjustment for Expenditure Accruals	(703,842)	(466,616)	0	(3,893)

Encumbrances	<u>(602,380)</u>	<u>(118,754)</u>	<u>0</u>	<u>0</u>
Budgetary Basis	<u>\$ 507,609</u>	<u>(\$37,813)</u>	<u>(\$106,258)</u>	<u>\$ 9,165</u>

NOTE O-CONTINGENT LIABILITIES

GRANTS

The District receives significant financial assistance from numerous federal, state and local agency's in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

NOTE P-JOINTLY GOVERNED ORGANIZATION

The Hamilton/Clermont Cooperative Association (H/CCA) is a jointly governed organization consisting of 24 school districts. The joint venture was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these school supports H/CCA and share in a percentage of the operations based on the resources provided. H/CCA is governed by a board of directors consisting of the superintendents of the member school districts. The degree of control exercised by any participating School District is limited to its representation on the board. The board consists of one representative from each of the participating 24 school districts.

NOTE Q-UNCERTAINTIES

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides a significant amount of monetary support to this District. During the fiscal year ended June 30, 2000, the district received \$10,892,698 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State Legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been

fulfilled.” The Court’s majority recognized efforts by the Ohio General Assembly taken in response to the Court’s March 24, 1997, decision, however, it found seven “...major areas warrant further attention, study, and development by the General Assembly...,” including the State’s reliance on local property tax funding, the state’s basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State’s School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operation.

NOTE R-ACCOUNTABILITY AND COMPLIANCE

Fund Deficits

Fund balances at June 30, 2000, included the following individual fund deficits:

	<u>Deficit Fund Balance</u>
Special Revenue Funds	\$408,285

The deficit fund balance resulted from expenditures made in excess of available revenues. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur.

NOTE S-STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various revenues. During the fiscal year ended June 30, 2000, the reserve activity (cash-basis) was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>
Balance, Beginning of Year	\$ 0	\$ 0	\$ 140,055
Required Set-Aside	506,668	506,668	168,887
Offset Credits	0	0	(140,055)
Qualifying Expenditures	<u>(506,668)</u>	<u>(506,668)</u>	<u>0</u>
Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$168,887</u>

Expenditures for textbook activity during the year totaled \$680,953, which exceeded the amount required for the set-aside.

Expenditures for capital activity during the year totaled \$1,590,096, which exceeded the amount required for the set-aside.

NOTE T-PRIOR PERIOD ADJUSTMENT

Pursuant to a complete physical inventory of all fixed assets of the District, the beginning fixed asset balance of the general fixed asset account group and the beginning retained earnings balance of the enterprise fund have been adjusted for corrections to the fixed asset detail as follows:

	<u>Enterprise Fund</u>	<u>General Fixed Assets Account Group</u>
Balance Previously Stated, June 30, 1999	\$102,717	\$27,051,247
Prior Period Adjustment	<u>57,587</u>	<u>(10,170,945)</u>
As Restated, July 1, 1999	<u>\$160,304</u>	<u>\$16,880,302</u>

The significant reduction in the General Fixed Asset Account Group related primarily to land and buildings, which were overvalued when the District converted to GAAP basis financial statements several years ago.

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MT. HEALTHY CITY SCHOOL DISTRICT

Single Audit Reports

June 30, 2000

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PLATTENBURG & ASSOCIATES, INC./CERTIFIED PUBLIC ACCOUNTANTS

8280 MONTGOMERY ROAD, SUITE 210/ CINCINNATI, OH 45236 • (513) 891-2722 • FAX (513) 891-2760
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**Report on compliance and on internal control over financial reporting
based on an audit of financial statements performed in accordance with
*Government Auditing Standards***

February 2, 2001

Board of Education
Mt. Healthy City School District

We have audited the general purpose financial statements of the Mt. Healthy City School District, (the District), as of and for the year ended June 30, 2000, and have issued our report thereon dated February 2, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the District in a separate letter dated February 2, 2001.

Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements

being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we have noted certain matters involving the internal control over financial reporting that we have reported to the District in a separate letter dated February 2, 2001.

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

Plattenburg & Associates, Inc.
Certified Public Accountants

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

February 2, 2001

Board of Education
Mt. Healthy City School District

Compliance

We have audited the compliance of the District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The District's major federal program is identified in the summary of Auditor's results portion of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulation, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

Internal Control Over Compliance

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

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

Schedule of Federal Awards Expenditures

We have audited the general purpose financial statements of the District as of and for the year ended June 30, 2000 and have issued our report thereon dated February 2, 2001. Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the District taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by *OMB Circular A-133*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

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

Plattenburg & Associates, Inc.
Certified Public Accountants

MT.HEALTHY CITY SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
Passed Through Ohio Department of Education:						
Child Nutrition Cluster:						
Food Distribution Program	03-PU	10.550	\$0	\$97,187	\$0	\$97,187
National School Breakfast Program	05-PU	10.553	77,562	0	77,562	0
National School Lunch Program	04-PU	10.555	428,885	0	428,884	0
Child Care Food Program	21-ML	10.558	<u>3,754</u>	<u>0</u>	<u>3,754</u>	<u>0</u>
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>510,201</u>	<u>97,187</u>	<u>510,200</u>	<u>97,187</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Preschool	PG-S1	84.173	18,371	0	43,376	0
Title VI-B Grant	6B-SF	84.027	<u>189,658</u>	<u>0</u>	<u>337,673</u>	<u>0</u>
Total U.S. Special Education Cluster			<u>208,029</u>	<u>0</u>	<u>381,049</u>	<u>0</u>
Even Start	EV-S2	84.213	86,937	0	154,539	0
Innovative Education	C2-S1	84.298	26,400	0	47,189	0
Title I Grant	C1-S1	84.010	403,203	0	605,377	0
Eisenhower Grant	MS-S1	84.281	21,242	0	30,399	0
Drug Free Schools Grant	DR-S1	84.186	76,145	0	68,630	0
Raising the Bar	TF-S1	84.318	37,500	0	35,031	0
Title VI-R	*	84.340	31,490	0	59,432	0
Goals 2000	G2-S4	84.276	<u>50,000</u>	<u>0</u>	<u>15,363</u>	<u>0</u>
Total Department of Education			<u>940,946</u>	<u>0</u>	<u>1,397,009</u>	<u>0</u>
<u>U.S. DEPARTMENT OF LABOR</u>						
Passed Through Ohio Department of Education:						
School to Work	WK-BE	17.249	<u>120,000</u>	<u>0</u>	<u>115,363</u>	<u>0</u>
Total U.S. Department of Labor			<u>120,000</u>	<u>0</u>	<u>115,363</u>	<u>0</u>
<u>CORPORATION FOR NATIONAL & COMMUNITY SERVICE</u>						
Passed Through Ohio Department of Education:						
Learn & Serve America	SV-S4	94.004	<u>0</u>	<u>0</u>	<u>2,183</u>	<u>0</u>
Total Corporation For National Community Service			<u>0</u>	<u>0</u>	<u>2,183</u>	<u>0</u>
Total Federal Assistance			<u>\$1,571,147</u>	<u>\$97,187</u>	<u>\$2,024,755</u>	<u>\$97,187</u>

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B -- FOOD DISTRIBUTION

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

* Information unavailable

**MT. HEALTHY CITY SCHOOL DISTRICT
JUNE 30, 2000**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None Noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None Noted

**MT. HEALTHY CITY SCHOOL DISTRICT
JUNE 30, 2000**

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

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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MOUNT HEALTHY CITY SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 5, 2001**