

READING COMMUNITY CITY SCHOOL DISTRICT

General Purpose Financial Statements

Year Ended June 30, 2000

With

Independent Auditors' Report



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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To the Board of Education
Reading Community City School District:

We have reviewed the Independent Auditor's Report of the Reading Community City School District, Hamilton County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 1999 to 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 Reading Community City School District is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

December 19, 2000

READING COMMUNITY CITY SCHOOL DISTRICT

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

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Reading Community City School District:

We have audited the accompanying general purpose financial statements of Reading Community City School District as of and for the year ended June 30, 2000 as listed in the table of contents. These general purpose financial statements are the responsibility of the School 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2000 on our consideration of the Reading Community City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
November 6, 2000

READING COMMUNITY CITY SCHOOL DISTRICT

Combined Balance Sheet - All Fund Types and Account Groups

June 30, 2000

	Governmental Fund Types			Proprietary Fund Type		Fiduciary Fund Types		Account Groups			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust & Agency	General	Long-Term Debt	Fixed Asset	General	
ASSETS AND OTHER DEBITS											
ASSETS:											
Equity in pooled cash and cash equivalents	\$ 2,712,247	222,389	547,496	3,357	4,586	162,149	-	-	-	-	3,652,224
Net receivables:											
Taxes	7,817,229	-	-	-	-	-	-	-	-	-	7,817,229
Accounts	414	1,094	-	-	-	-	-	-	-	-	1,508
Accrued interest	4,622	-	-	-	-	-	-	-	-	-	4,622
Intergovernmental	62,357	9,629	-	-	-	-	-	-	-	-	71,986
Prepayments	28,041	-	-	-	-	-	-	-	-	-	28,041
Restricted assets:											
Cash and cash equivalents	218,696	-	-	-	-	-	-	-	-	-	218,696
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	-	-	-	-	5,090,237	-	-	5,090,237
OTHER DEBITS:											
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-	-	-	-	825,954	825,954
Total assets and other debits	\$ 10,843,606	233,112	547,496	3,357	4,586	162,149	-	5,090,237	825,954	-	17,710,497

The notes to the financial statements are an integral part of this statement.

READING COMMUNITY CITY SCHOOL DISTRICT

Combined Balance Sheet - All Fund Types and Account Groups

June 30, 2000

	Governmental Fund Types			Proprietary Fund Type		Fiduciary Fund Types		Account Groups			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust & Agency	General Fixed Asset	Long-Term Debt	General		
									General	Fixed Asset	
LIABILITIES, EQUITY AND OTHER CREDITS											
LIABILITIES:											
Accounts payable	\$ 144,000	23,144	-	-	-	6,300	-	-	-	-	173,444
Accrued wages and benefits	697,013	39,334	-	-	-	-	-	-	-	-	736,347
Pension obligation payable	141,506	5,936	-	-	-	-	-	49,708	-	-	197,150
Compensated absences payable	134,668	-	-	-	-	-	-	746,426	-	-	881,094
Deferred revenue	6,007,229	-	-	-	-	-	-	-	-	-	6,007,229
Due to student groups	-	-	-	-	-	39,267	-	-	-	-	39,267
Due to others	-	-	-	-	-	11,456	-	-	-	-	11,456
Capital leases payable	-	-	-	-	-	-	-	29,820	-	-	29,820
Total liabilities	7,124,416	68,414	-	-	-	57,023	-	825,954	-	-	8,075,807
EQUITY AND OTHER CREDITS											
Investments in general fixed assets	-	-	-	-	-	-	-	5,090,237	-	-	5,090,237
Retained earnings	-	-	-	3,357	4,586	-	-	-	-	-	7,943
Fund balances:											
Reserved for:											
Encumbrances	706,154	31,021	-	-	-	-	-	-	-	-	737,175
Budget stabilization	218,696	-	-	-	-	-	-	-	-	-	218,696
Prepayments	28,041	-	-	-	-	-	-	-	-	-	28,041
Property tax advances	1,810,000	-	-	-	-	-	-	-	-	-	1,810,000
Principal endowment	-	-	-	-	-	85,500	-	-	-	-	85,500
Unreserved - undesignated	956,299	133,677	547,496	-	-	19,626	-	-	-	-	1,657,098
Total equity and other credits	3,719,190	164,698	547,496	3,357	4,586	105,126	-	5,090,237	-	-	9,634,690
Total liabilities, equity and other credits	\$ 10,843,606	233,112	547,496	3,357	4,586	162,149	-	5,090,237	825,954	-	17,710,497

The notes to the financial statements are an integral part of this statement.

READING COMMUNITY CITY SCHOOL DISTRICT

**Combined Statement of Revenues, Expenditures, and Changes in Fund
Balances - All Governmental Fund Types and Similar Trust Funds**

Year Ended June 30, 2000

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Revenues:					
Taxes	\$ 7,477,227	-	-	-	7,477,227
Tuition	128,341	-	-	-	128,341
Earnings on investments	244,574	11,070	-	948	256,592
Other local revenue	287,769	57,696	1,500	290	347,255
Intergovernmental - state	2,404,513	654,255	-	-	3,058,768
Intergovernmental - federal	-	314,827	-	-	314,827
Total revenues	<u>10,542,424</u>	<u>1,037,848</u>	<u>1,500</u>	<u>1,238</u>	<u>11,583,010</u>
Expenditures:					
Current:					
Instruction:					
Regular	4,499,235	52,892	-	-	4,552,127
Special	949,008	126,743	-	-	1,075,751
Vocational education	167,987	700	-	-	168,687
Other	51,766	-	-	-	51,766
Support services:					
Pupil	599,787	36,756	-	-	636,543
Instructional staff	384,168	102,909	-	-	487,077
General administration	55,168	-	-	-	55,168
School administration	1,287,418	13,298	-	-	1,300,716
Fiscal	290,198	-	-	-	290,198
Business	35,147	-	-	-	35,147
Operations and maintenance	918,524	-	-	-	918,524
Pupil transportation	139,888	27,779	-	-	167,667
Central	254,463	5,000	-	-	259,463
Community services	5,531	593,609	-	1,026	600,166
Extracurricular activities	224,176	66,920	-	-	291,096
Facilities acquisition and construction	210,564	-	-	-	210,564
Debt Service:					
Principal	72,997	-	-	-	72,997
Interest	2,196	-	-	-	2,196
Total expenditures	<u>10,148,221</u>	<u>1,026,606</u>	<u>-</u>	<u>1,026</u>	<u>11,175,853</u>
Excess of revenues over (under) expenditures	394,203	11,242	1,500	212	407,157
Other financing sources (uses):					
Other financing sources	1,769	-	-	-	1,769
Operating transfers in	-	42,000	158,578	-	200,578
Operating transfers out	(212,078)	-	-	-	(212,078)
Other financing uses	-	(1,489)	-	-	(1,489)
Total other financing sources (uses)	<u>(210,309)</u>	<u>40,511</u>	<u>158,578</u>	<u>-</u>	<u>(11,220)</u>
Excess of revenues and other sources over (under) expenditures and other (uses)	183,894	51,753	160,078	212	395,937
Fund balance, beginning of year	<u>3,535,296</u>	<u>112,945</u>	<u>387,418</u>	<u>16,130</u>	<u>4,051,789</u>
Fund balance, end of year	\$ <u>3,719,190</u>	<u>164,698</u>	<u>547,496</u>	<u>16,342</u>	<u>4,447,726</u>

The notes to the financial statements are an integral part of this statement.

READING COMMUNITY CITY SCHOOL DISTRICT

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budget Basis) - All Governmental Fund Types and Similar Trust Funds

Year Ended June 30, 2000

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
From local sources:			
Taxes	\$ 7,726,000	7,812,227	86,227
Tuition	108,700	136,533	27,833
Earnings on investments	225,000	254,779	29,779
Other local revenues	98,300	289,976	191,676
Intergovernmental - state	2,260,000	2,393,316	133,316
Intergovernmental - federal	9,000	5,419	(3,581)
Total revenues	10,427,000	10,892,250	465,250
Expenditures:			
Current:			
Instruction:			
Regular	4,573,629	4,476,003	97,626
Special	1,200,179	989,880	210,299
Vocational	184,529	177,515	7,014
Other	56,449	54,194	2,255
Support services:			
Pupil	743,929	588,179	155,750
Instructional staff	587,668	540,286	47,382
General administration	693,755	668,228	25,527
School administration	658,196	627,078	31,118
Fiscal	317,289	301,699	15,590
Business	57,181	39,030	18,151
Operations and maintenance	1,081,425	954,134	127,291
Pupil transportation	152,049	141,814	10,235
Central	279,326	247,885	31,441
Facilities acquisition and construction	820,000	791,385	28,615
Community services	7,437	5,878	1,559
Extracurricular activities	249,580	225,329	24,251
Debt Service:			
Repayment of debt	-	-	-
Total expenditures	11,662,621	10,828,517	834,104
Excess of revenues over (under) expenditures	(1,235,621)	63,733	1,299,354
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers (out)	(238,150)	(212,078)	26,072
Other sources (uses)	-	1,769	1,769
Total other financing sources (uses)	(238,150)	(210,309)	27,841
Excess of revenues and other sources over (under) expenditures and other (uses)	(1,473,771)	(146,576)	1,327,195
Fund balance, beginning of year	2,089,684	2,089,684	
Prior year encumbrances appropriated	170,217	170,217	
Fund balance, end of year	\$ 786,130	2,113,325	

The notes to the financial statements are an integral part of this statement.

Special Revenue Funds			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
8,801	11,070	2,269	-	-	-	500	948	448
58,303	59,453	1,150	1,500	1,500	-	-	290	290
652,063	652,063	-	-	-	-	-	-	-
337,780	306,198	(31,582)	-	-	-	-	-	-
<u>1,056,947</u>	<u>1,028,784</u>	<u>(28,163)</u>	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>500</u>	<u>1,238</u>	<u>738</u>
93,449	60,674	32,775	-	-	-	-	-	-
156,510	122,899	33,611	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	700	(700)	-	-	-	-	-	-
48,508	46,611	1,897	-	-	-	-	-	-
127,984	94,744	33,240	-	-	-	-	-	-
11,910	11,356	554	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
200	-	200	-	-	-	-	-	-
18,659	27,447	(8,788)	-	-	-	-	-	-
10,000	5,000	5,000	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
704,811	647,143	57,668	-	-	-	1,806	1,776	30
75,206	67,373	7,833	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>1,247,237</u>	<u>1,083,947</u>	<u>163,290</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,806</u>	<u>1,776</u>	<u>30</u>
<u>(190,290)</u>	<u>(55,163)</u>	<u>135,127</u>	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>(1,306)</u>	<u>(538)</u>	<u>768</u>
34,500	42,000	7,500	158,578	158,578	-	-	-	-
-	-	-	-	-	-	-	-	-
-	(1,489)	(1,489)	-	-	-	-	-	-
<u>34,500</u>	<u>40,511</u>	<u>6,011</u>	<u>158,578</u>	<u>158,578</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(155,790)	(14,652)	141,138	160,078	160,078	-	(1,306)	(538)	768
99,741	99,741	-	387,418	387,418	-	16,131	16,131	-
86,929	86,929	-	-	-	-	750	750	-
<u>30,880</u>	<u>172,018</u>	<u>-</u>	<u>547,496</u>	<u>547,496</u>	<u>-</u>	<u>15,575</u>	<u>16,343</u>	<u>-</u>

READING COMMUNITY CITY SCHOOL DISTRICT

Combined Statement of Revenues, Expenses and Changes in Retained Earnings All Proprietary Fund Types and Nonexpendable Trust Fund

Year Ended June 30, 2000

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating revenues:				
Charges for services	\$ 3,520	-	-	3,520
Earnings on investments	-	-	5,215	5,215
Total operating revenues	3,520	-	5,215	8,735
Operating expenses:				
Personnel services	2,309	-	-	2,309
Contractual services	735	-	-	735
Materials and supplies	189	-	-	189
Other expenses	-	-	5,300	5,300
Total operating expenses	3,233	-	5,300	8,533
Net income (loss)	287	-	(85)	202
Retained earnings/fund balance, beginning of year	3,070	4,586	88,869	96,525
Retained earnings/fund balance, end of year	\$ 3,357	4,586	88,784	96,727

The notes to the financial statements are an integral part of this statement.

READING COMMUNITY CITY SCHOOL DISTRICT

Combined Statement of Cash Flows All Proprietary Fund Types and Nonexpendable Trust Fund

Year Ended June 30, 2000

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Cash flows from operating activities:				
Cash received from customers	\$ 3,520	-	-	3,520
Cash payments for personal services	(2,309)	-	-	(2,309)
Cash payments for contract services	(735)	-	-	(735)
Cash payments for supplies and materials	(189)	-	-	(189)
Cash payments for other expenses	-	-	(5,275)	(5,275)
Interest received	-	-	5,215	5,215
Net cash provided (used) by operating activities	287	-	(60)	227
Net change in cash	287	-	(60)	227
Cash, beginning of year	3,070	4,586	94,144	101,800
Cash, end of year	3,357	4,586	94,084	102,027
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	287	-	(85)	202
Adjustments to reconcile operating income to net cash provided by operating activities:				
Changes in assets and liabilities:				
Increase in accounts payable	-	-	25	25
Net cash provided (used) by operating activities	\$ 287	-	(60)	227

Reconciliation of Nonexpendable Trust to Balance Sheet:

Cash and cash equivalents - All Fiduciary Funds	\$ 162,149
Cash and cash equivalents - Expendable Trust and Agency Funds	68,065
Cash and cash equivalents - Nonexpendable Trust Fund	\$ 94,084

The notes to the financial statements are an integral part of this statement.

READING COMMUNITY CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
Year Ended June 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Reading Community City School District (the "School 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 guidelines. This Board controls the District's three instructional facilities staffed by 38 non-certified employees, 95 certificated teaching personnel and 8 administrative employees to provide services to approximately 1,350 students. Currently, the School District operates two elementary schools, Central and Hilltop, and Reading Jr./Sr. High School, which serves grades seven through twelve.

The School District was established in 1863 and was later organized under Section 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms. The School District serves an area of approximately 3.14 square miles including all of the City of Reading, a small area of the City of Evendale, and a portion of Sycamore Township. The City of Reading was incorporated as a village in 1851. It is located in southwest Ohio, in the north-central portion of Hamilton County.

The reporting entity is comprised of the primary government. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District is associated with two organizations one of which is defined as a jointly governed organization and the other is an insurance purchasing pool. These organizations are Great Oaks Joint Vocational School and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14 and 15 to the general purpose financial statements.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The financial statements of the Reading Community City School 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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

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

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

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

Capital Projects Fund - The 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 or trust funds).

Proprietary Fund Types:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Fund - The enterprise fund is used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (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 where it has been 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 Fund - 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 School District, or to other governments, on a cost reimbursement basis.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust, nonexpendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds while nonexpendable trust funds are accounted for in essentially the same manner as proprietary 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 a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to the accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, interest, and accounts and grants.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable, and which are intended to finance fiscal year 2001 operations, have been recorded as deferred 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.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and nonexpendable trust funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit 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 express 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 rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriate resolutions, 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 at the level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

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 reappropriated.

Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

During fiscal year 2000, investments were limited to certificates of deposit, the State Treasury Assets Reserve of Ohio (STAR Ohio) and United States agency securities. Investments are reported at their fair value based on quoted market prices and changes in the fair value are reported in the operating statement. At June 30, 2000, the fair value of investments approximates cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2000.

By policy of the Board, investment earnings are assigned to the general fund except those specifically related to agency funds, certain trust funds, and those other funds individually authorized by Board resolution. Interest earnings are allocated to these funds based on average monthly cash balance. The general fund was credited more interest than would have been received based upon its share of the School District's investments during fiscal year 2000.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

Prepays

Prepayments for governmental funds represent cash disbursements that have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting from the advance payment. At period end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars.

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. Assets in the general fixed assets account group are not depreciated. The School District does not possess any infrastructure.

Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, 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 and entitlements amounted to approximately twenty-nine percent of the School District's operating revenue during the 2000 fiscal year.

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 School District will compensate the employees for the benefits through paid time off or some other means. 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 School 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 School District's termination policy.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees age fifty (50) or greater with at least ten (10) years of service or twenty (20) years of service at any age. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after fiscal year-end are considered not to have used current available financial resources. Bonds and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute. The Board may, with a 2/3 vote of its members appropriate from this budget reserve if it experiences a deficit unreserved fund balance caused by specific conditions which are defined by State statute and files an acceptable schedule to replenish the set-aside balance with the State Superintendent of Public Instruction. A corresponding fund balance reserve has also been established.

Estimates

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

Fund Balance Reserves

The School District records reservations for portions of fund equity that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property tax advances, debt service, and budget stabilization set-asides. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statutes. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

Parochial Schools

Within the School District boundaries, Saints Peter and Paul Elementary, Sacred Heart Elementary, and Mount Notre Dame High School are operated through the Cincinnati Archdiocese. Current state and federal legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. The receipt and expenditure of these state monies is reflected in a special revenue fund for financial reporting purposes.

Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (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 cash flows 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.

2. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances 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 Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis)-All Governmental Fund Types and Similar Trust Funds are 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 that:

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 a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Sources (Uses)
All Governmental Fund Types and Expendable Trust Funds

	General	Special Revenue	Capital Projects	Expendable Trust
GAAP Basis	\$ 183,894	51,753	160,078	212
Revenue				
Accruals	349,826	(9,064)	-	-
Expenditure				
Accruals	137,322	(6,971)	-	(750)
Encumbrances	(817,618)	(50,370)	-	-
Budget Basis	<u>\$ (146,576)</u>	<u>(14,652)</u>	<u>160,078</u>	<u>(538)</u>

3. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

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

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

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

Interim monies are permitted to be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the 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 (STAROhio); and
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 monies available for investment at any one time.

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At year-end, the carrying amount of the School District's deposits was \$2,639,919 (including restricted cash) and the bank balance was \$2,936,688. Of the bank balance, \$290,000 was covered by federal depository insurance, \$2,224,975 was covered by surety bond insurance and \$421,713 was uninsured and uncollateralized as defined by GASB Statement 3. Although the securities serving as collateral were held by the pledging financial institution's trust department, but not in the School District's name, all State statutory requirements for the deposit of money had been followed.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counter party's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the School District's name. The School District's investment in STAROhio and the Mutual Fund are unclassified because they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 2</u>	<u>Fair Value</u>
STAROhio	\$ -	19,359
Mutual Fund	-	12,995
U.S. Agency securities	<u>1,198,647</u>	<u>1,198,647</u>
GASB Statement No. 3	\$ <u>1,198,647</u>	<u>1,231,001</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ <u>Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 3,870,920	-
Investments:		
STAR Ohio	(19,359)	19,359
Mutual Fund	(12,995)	12,995
U.S. Agency securities	<u>(1,198,647)</u>	<u>1,198,647</u>
GASB Statement No. 3	\$ <u>2,639,919</u>	<u>1,231,001</u>

4. PROPERTY TAXES

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 School 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. The last update was completed for tax year 1998. 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 taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

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 Hamilton County Treasurer collects property tax on behalf of the School District. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000 are available to finance fiscal year 2000 operations. The amount available to be advanced 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 which became measurable as of June 30,

2000. 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 current year operations. The assessed values upon which fiscal year 2000 taxes were collected are:

	1999 Second-Half Collections		2000 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 141,337,940	71.31%	159,798,470	75.30%
Public Utility Personal Property	11,312,010	5.71%	11,131,800	5.25%
Tangible Personal Property	45,525,660	22.98%	41,297,160	19.45%
Total Assessed Value	<u>\$ 198,175,610</u>	<u>100.00%</u>	<u>212,227,430</u>	<u>100.00%</u>

5. INTERFUND TRANSACTIONS

Operating transfers during the year ended June 30, 2000 consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ -	212,078
Special Revenue Fund:		
Athletics Fund	42,000	-
Capital Projects Fund:		
Permanent Improvement Fund	158,578	-
Agency Fund:		
Student Activities	11,500	-
	<u>\$ 212,078</u>	<u>212,078</u>

6. FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category	Balance at 7/1/99	Additions	Deletions	Balance at 6/30/00
Land and Improvements	\$ 252,600	-	-	252,600
Buildings and Improvements	2,370,661	-	-	2,370,661
Furniture, Fixtures and Equipment	2,247,937	231,714	12,675	2,466,976
Total General Fixed Assets	<u>\$ 4,871,198</u>	<u>231,714</u>	<u>12,675</u>	<u>5,090,237</u>

7. RISK MANAGEMENT

The School 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 2000, the School District maintained comprehensive insurance coverage with private carriers for real property, building contents, vehicles and general liability coverage. Settled claims have not exceeded this commercial coverage in any of the past three years.

The School District provides life insurance and accidental death and dismemberment insurance to eligible employees through the Union Central Life Insurance Company. The School District has also elected to provide employee medical insurance through Choice Care, a health maintenance organization. All covered employees are required to contribute 10% toward the cost of the total monthly premium. The School District also provides dental insurance coverage to its employees, at no cost to the employee, through Dental Care Plus.

8. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute at an actuarially determined rate, which is currently 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 School District's required contributions to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$163,907, \$136,331, and \$127,764 respectively; 45% has been contributed for fiscal year 2000 and 100% for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds and the general long-term obligations account group.

State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basis 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 issued a publicly available financial report that includes financial statements and required supplementary information for STRS. The 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 School District is required to contribute 14%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions for pension obligations to STRS for the years ended June 30, 2000, 1999, and 1998 were \$789,042, \$708,428 and \$614,096, respectively; 84% has been contributed for fiscal year 2000 and 100% for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, members of the Board of Education have elected social security. The Board's liability is 6.2% of wages paid.

9. 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 System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by state statute and are funded on a pay-as-you-go basis.

STRS has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the year ended June 30, 2000, the board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$450,881 during fiscal year 2000. 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 had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. For this fiscal year, employer contributions to fund health care benefits were 6.30% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the year ended June 30, 1999 were \$126.4 million and the target level was \$189.6 million. At June 30, 1999, SERS' net assets available for payment of health care benefits was \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits. For the School District, this amount to fund health care benefits, including the surcharge, equaled \$73,758 during the 2000 fiscal year.

10. EMPLOYEE BENEFITS

Compensated Absences

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

11. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Principal Outstanding 7/1/99	Additions	Deductions	Principal Outstanding 6/30/00
Pension Obligation Payable	\$ 48,492	49,708	48,492	49,708
Capital Leases	102,817	-	72,997	29,820
Compensated Absences	841,248	-	94,822	746,426
Total General Long-Term Obligations	<u>\$ 992,557</u>	<u>49,708</u>	<u>216,311</u>	<u>825,954</u>

The School District's voted legal debt margin was \$19,100,469 with an unvoted debt margin of \$212,227 at June 30, 2000.

12. CAPITALIZED LEASES - LESSEE

The School District is obligated under certain leases accounted for as capital leases. The leased assets are accounted for in the General Fixed Asset Account Group and related obligations are recorded in the General Long-Term Debt Account Group. The cost of the equipment acquired by capital leases is \$241,714. Principal payments in fiscal year 2000 were \$72,997. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2000.

	Year Ending June 30		
	2001	\$	20,226
	2002		<u>11,075</u>
Minimum lease payments			31,301
Less: Amount representing interest			<u>(1,481)</u>
Present value of minimum lease payments		\$	<u>29,820</u>

13. SEGMENT INFORMATION FOR ENTERPRISE FUND

The School District maintains three enterprise funds to account for the operations of uniform school supply sales, an adult education program, and an after school student enrichment program. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2000.

		Uniform School <u>Supplies</u>	After School	Adult Education	<u>Total</u>
Operating revenues	\$	296	150	3,074	3,520
Operating expenses		-	-	3,233	3,233
Operating income (loss)		296	150	(159)	287
Net income (loss)		296	150	(159)	287
Net working capital		651	709	1,997	3,357
Total assets		651	709	1,997	3,357
Total equity	\$	651	709	1,997	3,357

14. JOINTLY GOVERNED ORGANIZATIONS

Great Oaks Joint Vocational School District

The Great Oaks Joint Vocational School District, a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school districts' elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. The School District has no ongoing financial interest in nor responsibility for the Joint Vocational School. To obtain financial information, write to the Treasurer's Office, Great Oaks Joint Vocational School District, 3254 E. Kemper Road, Cincinnati, Ohio 45241.

15. INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

16. CONTINGENCIES

Grants

The School 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

17. REQUIRED SET-ASIDES

The School 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 School District is also required to set aside money for budget stabilization. The following cash basis information describes the change in the year-end set aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside cash balance as of June 30, 1999	\$ -	-	133,696	133,696
Current year set-aside requirement	254,469	254,469	85,000	593,938
Less off-sets	-	158,578	-	158,578
Less qualifying disbursements	<u>301,453</u>	<u>301,835</u>	<u>-</u>	<u>603,288</u>
Total	<u>(46,984)</u>	<u>(205,944)</u>	<u>218,696</u>	
Cash balance carried forward to FY 2000	<u>-</u>	<u>-</u>	<u>218,696</u>	
Amount restricted for budget stabilization				<u>218,696</u>
Total restricted assets			\$	<u>218,696</u>

Since the School 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 may 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.

18. SCHOOL FUNDING DECISION

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 the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this School District. During the fiscal year ended June 30, 2000, the School District received approximately \$1,629,000 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly 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 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 State 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 operations.

Clark, Schaefer, Hackett & Co.

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education
Reading Community City School District:

We have audited the financial statements of the Reading Community City School District as of and for the year ended June 30, 2000, and have issued our report thereon dated November 6, 2000. 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 Reading Community City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Reading Community City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
November 6, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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READING COMMUNITY CITY SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 02, 2001**