THREE RIVERS LOCAL SCHOOL DISTRICT

Cleves, Ohio

General Purpose Financial Statements

For the Year Ended June 30, 2000

with

Independent Auditors' Report

STATE OF OHIO
OFFICE OF THE AUDITOR

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

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

JIM PETRO
Auditor of State

April 23, 2001

THREE RIVERS LOCAL SCHOOL DISTRICT

Cleves, Ohio

General Purpose Financial Statements

For the Year Ended June 30, 2000

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Independent Auditors' Report

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

We have audited the accompanying general purpose financial statements of the Three Rivers Local School District Hamilton County, Ohio (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type 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 January 28, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Middletown, Ohio
January 28, 2001

THREE RIVERS LOCAL 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		
	General Fund	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)
ASSETS AND OTHER DEBITS:									
Assets:									
Equity in pooled cash and investments	$ 2,176,930	$ 218,260	$ 100	$ 393,961	$ 75,047	$ 74,148	-	-	$ 2,938,446
Cash and cash equivalents - restricted	182,210	-	-	-	-	-	-	-	182,210
Receivables (net of allowances for uncollectibles)									
Taxes - current	4,497,967	-	-	157,536	-	-	-	-	4,655,503
Taxes - delinquent	76,863	-	-	2,501	-	-	-	-	79,364
Accrued interest	15,572	-	-	-	-	355	-	-	15,927
Intergovernmental - state and local	343,238	-	-	10,767	3,388	-	-	-	357,393
Intergovernmental - federal	-	-	-	-	13,703	-	-	-	13,703
Accounts	3,156	687	-	-	-	-	-	-	3,843
Materials and supplies inventory	-	-	-	-	6,283	-	-	-	6,283
Property, plant and equipment (net of accumulated depreciation, where applicable)	-	-	-	-	79,489	-	10,194,278	-	10,273,767
Other debits:									
Amount available in Debt Service Fund	-	-	-	-	-	-	-	100	100
Amount to be provided for retirement of General Long-term Obligations	-	-	-	-	-	-	-	1,614,200	1,614,200
Total assets and other debits	$ 7,295,936	$ 218,947	$ 100	$ 564,765	$ 177,910	$ 74,503	$ 10,194,278	$ 1,614,300	$ 20,140,739
LIABILITIES, EQUITY AND OTHER CREDITS:									
Liabilities:									
Accounts payable	$ 43,547	$ 87,768	$ -	$ 505	$ -	-	-	-	$ 131,820
Accrued wages and benefits	1,057,703	72,845	-	-	25,941	-	-	-	1,156,489
Due to other governments	182,698	9,226	-	-	14,572	-	-	86,260	292,756
Due to student groups	-	-	-	-	-	8,080	-	-	8,080
Deferred revenue	2,836,362	-	-	109,784	2,887	-	-	-	2,949,033
General obligation notes payable	-	-	-	-	-	-	-	304,838	304,838
Obligation under capital leases	-	-	-	-	-	-	-	5,225	5,225
Compensated absences payable	-	-	-	-	14,935	-	-	1,217,977	1,232,912
Total liabilities	$ 4,120,310	$ 169,839	$ -	$ 110,289	$ 58,335	$ 8,080	$ -	$ 1,614,300	$ 6,081,153
Equity and other credits:									
Investment in general fixed assets	-	-	-	-	-	-	10,194,278	-	10,194,278
Contributed capital	-	-	-	-	6,691	-	-	-	6,691
Retained earnings: unreserved	-	-	-	-	112,884	-	-	-	112,884
Fund Balances:									
Reserved-									
Reserved for encumbrances	306,003	62,383	-	129,878	-	197	-	-	498,461
Reserved for set asides	-	-	-	-	-	-	-	-	-
Reserved for Budget Stabilization	182,210	-	-	-	-	-	-	-	182,210
Reserved for future appropriations	2,077,000	-	-	61,020	-	-	-	-	2,138,020
Unreserved-									-
Undesignated	610,413	(13,275)	100	263,578	-	66,226	-	-	927,042
Total equity and other credits	3,175,626	49,108	100	454,476	119,575	66,423	10,194,278	0	14,059,586
Total liabilities, equity and other credits	$ 7,295,936	$ 218,947	$ 100	$ 564,765	$ 177,910	$ 74,503	$ 10,194,278	$ 1,614,300	$ 20,140,739

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

THREE RIVERS LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
For The Year Ended June 30, 2000

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE	
	General Fund	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Totals (Memorandum Only)
Revenues:						
From local sources:						
Taxes	$ 8,744,550	$ -	$ -	$ 264,545	$ -	$ 9,009,095
Tuition	54,843	-	-	-	-	54,843
Earnings on investments	260,115	-	-	-	2,571	262,686
Extracurricular activities	245	79,875	-	-	-	80,120
Classroom materials and fees	59,072	-	-	-	-	59,072
Other local revenues	63,686	7,437	-	-	26,769	97,892
Intergovernmental - state and local	2,186,203	126,792	-	51,168	-	2,364,163
Intergovernmental - federal	-	459,376	-	-	-	459,376
Total revenues	$ 11,368,714	$ 673,480	$ -	$ 315,713	$ 29,340	$ 12,387,247
Expenditures:						
Current:						
Instruction:						
Regular	6,397,217	116,871	-	238,641	2,423	6,755,152
Special	1,176,363	397,544	-	-	-	1,573,907
Vocational	44,626	8,439	-	-	-	53,065
Support services:						
Pupil	490,616	2,785	-	1,941	-	495,342
Instructional staff	416,059	130,444	-	3,409	-	549,912
General administration	32,194	-	-	-	-	32,194
School administration	1,478,902	-	-	4,185	-	1,483,087
Fiscal	434,379	-	-	-	-	434,379
Business	83,946	-	-	-	-	83,946
Operations and maintenance	1,503,608	35,925	-	-	-	1,539,533
Pupil transportation	914,160	-	-	-	-	914,160
Central	87,967	4,014	-	-	-	91,981
Community services	20,056	1,600	-	-	15,030	36,686
Extracurricular activities	198,751	106,065	-	-	-	304,816
Debt service:						
Principal retirement	4,026	-	46,484	-	-	50,510
Interest and fiscal charges	741	-	17,665	-	-	18,406
Total expenditures	$ 13,283,611	$ 803,687	$ 64,149	$ 248,176	$ 17,453	$ 14,417,076
Excess (deficiency) of revenues over (under) expenditures	(1,914,897)	(130,207)	(64,149)	67,537	11,887	(2,029,829)
Other financing sources (uses):						
Refund of prior year expenditures	194,727	-	-	-	-	194,727
Operating transfers in	775,000	106,014	63,650	81,792	-	1,026,456
Operating transfers (out)	(1,026,456)	-	-	-	-	(1,026,456)
Advances in	-	4,153	-			4,153
Advances (out)	(4,153)	-	-	-	-	(4,153)
Proceeds of sale of fixed assets	12,325	-	-	-	-	12,325
Total other financing sources (uses)	(48,557)	110,167	63,650	81,792	0	207,052
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	(1,963,454)	(20,040)	(499)	149,329	11,887	(1,822,777)
Fund balance, July 1	5,139,080	69,148	599	305,147	54,536	5,568,510
Fund balance, June 30	$ 3,175,626	$ 49,108	$ 100	$ 454,476	$ 66,423	$ 3,745,733

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

THREE RIVERS LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET-ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2000

	General Fund			Special Revenue Fund			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes	$ 10,722,549	10,722,549	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 322,526	$ 322,526	$ -	$ 11,045,075	$ 11,045,075	$ -
Tuition	54,843	54,843	-	-	-	-	-	-	-	-	-	-	54,843	54,843	-
Transportation fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Earnings on investments	256,414	256,414	-	-	-	-	-	-	-	-	-	-	256,414	256,414	-
Extracurricular activities	245	245	-	79,874	79,874	-	-	-	-	-	-	-	80,119	80,119	-
Classroom materials and fees	59,072	59,072	-	-	-	-	-	-	-	-	-	-	59,072	59,072	-
Other local revenues	60,530	60,530	-	6,750	6,750	-	-	-	-	-	-	-	67,280	67,280	-
Intergovernmental - state and local	2,181,498	2,181,498	-	126,792	126,792	-	-	-	-	51,168	51,168	-	2,359,458	2,359,458	-
Intergovernmental - federal	-	-	-	459,376	459,376	-	-	-	-	-	-	-	459,376	459,376	-
Total revenues	13,335,151	13,335,151	-	672,792	672,792	-	-	-	-	373,694	373,694	-	14,381,637	14,381,637	-
Expenditures:															
Current:															
Instruction:															
Regular	6,389,203	6,389,203	-	30,273	30,273	-	-	-	-	241,294	241,294	-	6,660,770	6,660,770	-
Special	1,149,462	1,149,462	-	394,776	394,776	-	-	-	-	-	-	-	1,544,238	1,544,238	-
Vocational	49,965	49,965	-	8,439	8,439	-	-	-	-	-	-	-	58,404	58,404	-
Support services:															
Pupil	486,712	486,712	-	2,785	2,785	-	-	-	-	1,941	1,941	-	491,438	491,438	-
Instructional staff	409,347	409,347	-	126,293	126,293	-	-	-	-	3,409	3,409	-	539,049	539,049	-
General administration	32,164	32,164	-	-	-	-	-	-	-	-	-	-	32,164	32,164	-
School administration	1,477,221	1,477,221	-	-	-	-	-	-	-	-	-	-	1,477,221	1,477,221	-
Fiscal	435,606	435,606	-	-	-	-	-	-	-	4,185	4,185	-	439,791	439,791	-
Operations and maintenance	83,054	83,054	-	35,925	35,925	-	-	-	-	-	-	-	118,979	118,979	-
Pupil transportation	1,502,474	1,502,474	-	-	-	-	-	-	-	-	-	-	1,502,474	1,502,474	-
Central	897,794	897,794	-	4,014	4,014	-	-	-	-	-	-	-	901,808	901,808	-
Community services	87,894	87,894	-	1,600	1,600	-	-	-	-	-	-	-	89,494	89,494	-
Extracurricular activities	19,134	19,134	-	106,170	106,170	-	-	-	-	-	-	-	125,304	125,304	-
Miscellaneous	198,511	198,511	-	-	-	-	-	-	-	-	-	-	198,511	198,511	-
Debt service:															
Principal retirement	5,163	5,163	-	-	-	-	64,149	64,149	-	-	-	-	69,312	69,312	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	13,223,704	13,223,704	-	710,275	710,275	-	64,149	64,149	-	250,829	250,829	-	14,248,957	14,248,957	-
Excess (deficiency) of revenues over (under) expenditures	111,447	111,447	-	(37,483)	(37,483)	-	(64,149)	(64,149)	-	122,865	122,865	-	132,680	132,680	-
Other financing sources (uses):															
Proceeds of bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating transfers in	775,000	775,000	-	106,014	106,014	-	63,650	63,650	-	81,792	81,792	-	1,026,456	1,026,456	-
Operating transfers (out)	(1,026,456)	(1,026,456)	-	-	-	-	-	-	-	-	-	-	(1,026,456)	(1,026,456)	-
Advances in	-	-	-	4,153	4,153	-	-	-	-	-	-	-	4,153	4,153	-
Advances (out)	(4,153)	(4,153)	-	-	-	-	-	-	-	-	-	-	(4,153)	(4,153)	-
Pass - Through	194,727	194,727	-	-	-	-	-	-	-	-	-	-	194,727	194,727	-
Refund of prior year expenditures	12,325	12,325	-	-	-	-	-	-	-	-	-	-	12,325	12,325	-
Proceeds of sale of fixed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(48,557)	(48,557)	-	110,167	110,167	-	63,650	63,650	-	81,792	81,792	-	207,052	207,052	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	62,890	62,890	-	72,684	72,684	-	(499)	(499)	-	204,657	204,657	-	339,732	339,732	-
Fund balance, July 1	2,296,254	2,296,254	-	145,576	145,576	-	599	599	-	189,304	189,304	-	2,631,733	2,631,733	-
Fund balance, June 30	$ 2,359,144	$ 2,359,144	$ -	$218,260	$ 218,260	$ -	$ 100	$ 100	$ -	$ 393,961	$ 393,961	$ -	$ 2,971,465	$ 2,971,465	$ -

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

THREE RIVERS LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2000

	Enterprise
Operating revenues:	
Sales	$446,765
Total operating revenues	446,765
Operating expenses:	
Salaries and Wages	204,967
Fringe benefits	58,905
Contract services	50,303
Supplies	301,788
Depreciation	10,599
Total operating expenses	626,562
Operating loss	(179,797)
Nonoperating revenues (expenses):	
Operating grants - state and local	10,286
Operating grants - federal	121,390
Operating grants - donated commodities	29,902
Interest	6,180
Total Nonoperating Revenues	167,758
Net Income	(12,039)
Retained earnings at July 1	124,923
Retained earnings at June 30	$112,884

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

THREE RIVERS LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2000

	Enterprise
Cash flows from operating activities:	
Cash received from sales	$446,765
Cash payments for personal services	(269,724)
Cash payments for contract services	(39,528)
Cash payments for supplies and materials	(272,364)
Net cash used by operating activities	(134,851)
Cash flow from noncapital financing activities:	
Cash received from operating grants	131,051
Cash received from interest income	6,180
Net cash provided by noncapital financing activities	137,231
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(12,346)
Net cash used for capital and related financing activities	(12,346)
Net increase (decrease) in cash and cash equivalents	(9,966)
Cash and cash equivalents at beginning of year	85,013
Cash and cash equivalents at end of year	$75,047
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	($179,797)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	10,599
Donated commodities used	29,902
Changes in assets and liabilities:	
Increase in other local revenues	(1,731)
Increase in supplies inventory	(93)
Decrease in accrued wages and benefits	6,654
Increase in deferred revenue	(385)
Net cash provided by operating activities	(134,851)

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

1. Description of the District:

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

The District operates under a locally elected five-member Board (the Board) form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by 86 non-certificated personnel and 140 certificated teaching and administrative personnel to provide services to students and other community members.

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

2. Summary of Significant Accounting Policies:

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

The reporting entity

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

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

Basis of Presentation - fund accounting

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

Governmental funds

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

General fund

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

Special revenue funds

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

Debt service fund

The debt service fund is used to account for the accumulation of resources for and the payment of general long-term debt principal and interest and related cost and for the payment of interest on general obligation notes payable as required by Ohio law.

Capital Project funds

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

Proprietary funds

Proprietary funds are used to account for the District's ongoing activities, which are similar to those most often, found in the private sector. The following is the District's proprietary fund type:

Enterprise funds

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

Fiduciary funds

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

Accounts groups

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

General fixed assets account group

This group of accounts is established for all fixed assets of the District, other than those accounted for in proprietary funds.

General long-term obligations account group

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

Measurement focus/basis of accounting

Measurement focus

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components.

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

Basis of accounting

All governmental fund types, expendable trust funds, and agency funds use the modified accrual basis of accounting. Under this basis of accounting revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after fiscal year end. Revenue accrued at the end of the fiscal year included property taxes, interest, tuition, and state and federal grants. Delinquent property taxes not received within 60 days after fiscal year end and property taxes, which are intended to finance subsequent fiscal year operations, have been recorded as deferred revenues. Expenditures are recorded when the related fund liability is incurred, except interest on long-term debt which is recorded when due.

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

Budgetary data

Budgetary basis of accounting

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

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

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

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

The actual results of operations compared to the final appropriation, which includes amendments to the original appropriation for each fund type by expenditure function and revenue by source are presented in the **Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual** *(Non-GAAP Budgetary Basis).*

The District is required by state statute to adopt an annual appropriated budget for all fund types except Agency Funds. The specific timetable is as follows:

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

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

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

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

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

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

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrances

Encumbrance accounting is utilized by District funds in the normal course of operations for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at fiscal year end appear as a reserve of the fund balance on a GAAP basis and for all governmental funds as the equivalent of expenditures/expenses on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 13 provide a reconciliation of the budgetary basis and GAAP basis of accounting.

Cash and investments

Cash received by the District is deposited in one of three bank accounts with individual fund balance integrity maintained throughout. Monies for all funds are maintained in these accounts or are temporarily used to purchase short-term cash equivalent investments (maturity within three months of the date of issuance), which are stated at cost. State statute authorizes the District to invest in obligations of the U.S. Treasury, commercial paper, and repurchase agreements. Under existing Ohio statutes, all investment earnings accrue to the general fund, the special trust fund, and other funds as required by law.

Interest earnings are allocated to these funds based on ending month cash balances. Interest income earned during the fiscal year totaled $266,295 (excluding agency fund operations).

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

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

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

Inventory (materials and supplies)

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

Restricted assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is 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.

Fixed assets and depreciation

General fixed assets account group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than $1,000 and a useful life of less than three years. No depreciation is recognized for assets in the general fixed assets account group. The District does not possess any infrastructure.

Proprietary funds

Property, plant and equipment reflected in the proprietary funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided where appropriate on a straight-line basis over the following estimated useful lives of 5-20 years for furniture and equipment.

Intergovernmental revenues

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

Inter-fund transactions

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

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

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

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

Compensated absences

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

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

Long-term obligations

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

Fund equity

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

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

Memorandum only total columns

Total columns on the general purpose financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

Use of estimates

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

3. Equity in Pooled Cash and Investments:

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

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

Active monies

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

Inactive monies

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

Interim monies

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

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

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

Repurchase agreements in the securities enumerated above.

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

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

Deposits

At year end the carrying amount of the District's pooled cash was $305,656. The bank balance of deposits was $452,582. Of the bank balance:

1. $161,000 was covered by federal depository insurance: and

2. $291,582 was covered by collateral held by the pledging institution's trust department pursuant to Ohio Revised Code Section 135.181 in collateral pools securing public funds on deposit with specific depository institutions. Ohio revised code Chapter 135, Uniform Depository Act, authorized pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit Insurance.

Investments

The District's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. CATEGORY 1 includes investments that are issued or registered or for which the District or its agent in the District's name holds the securities. CATEGORY 2 includes uninsured and unregistered investments for which the broker's or dealer's holds the securities by the broker or dealer's trust department or agent in the District's name. CATEGORY 3 includes uninsured or unregistered investments for which the securities are held by the broker or dealer or by its department or agent, but not in the District's name. Based on the above criteria, the District's investments at June 30, 2000 are classified as follows:

	Fair Value
State Treasury Asset Reserve (1)	$ 2.815,000

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

4. Property Taxes:

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

Tangible personal	$ 36,000,000
Public Utilities and real estate	329,190,000
	$ 365,190,000

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

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

The County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

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

5. Receivables:

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

A summary of the principal items of receivables follows:

Fund	Receivable	Amount
General	Taxes	$ 4,574,830
	Accrued interest	15,572
	Intergovernmental state and local	343,238
Capital projects	Taxes	160,037
	Intergovernmental state and local	10,767
Enterprise	Intergovernmental state and local	3,388
	Intergovernmental federal	13,703
Expendable trust	Accrued interest	355

6. Fixed Assets:

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

	July 1st	Additions	Deletions	June 30th
Land	$ 101,354	0	0	101,354
Building	4,673,184	158,219	0	4,831,403
Furniture/equipment	3,808,045	155,674	0	3,963,719
Vehicles	1,166,370	131,432	0	1,297,802
Total	$ 9,748,953	445,325	0	10,194,278

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

Furniture and equipment	$ 339,152
Less accumulated depreciation	(259,663)
Net fixed assets - proprietary fund	$ 79,489

7. Long- Term Debt:

H.B. 264 Energy Conservation Measures

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

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

Unvoted installment payment agreements; and,

Unvoted shares-savings arrangements.

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

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

> A board of education contracts for an analysis and recommendations for energy conservation measures;
>
> If the board finds that the energy conservation measures are likely to pay for themselves over ten years, the board requests the State Department of Education for permission to borrow in order to finance the energy conservation measures;
>
> If the State Department of Education finds that the local board of education's findings are reasonable, it authorizes the borrowing, and the local board of education may issue its notes or bonds; and
>
> As long as the indebtedness remains outstanding, the local board of education monitors the performance of the energy conservation measures annually and reports on the energy conservation measure to the State Department of Education, which reports are certified by an architect or engineer independent of the vendor that supplied the energy conservation measures.

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

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

	Interest	Issue	Maturity	Balance 6/30/99	Retired in 2000	Balance 6/30/00
Energy Conservation	5.35	8/16/95	12/31/05	$351,274	46,436	$304,838

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

Payment Date	Interest	Principal	Balance
Fiscal 2001	$ 15,119	$ 48,982	$ 255,856
Fiscal 2002	12,434	51,668	204,188
Fiscal 2003	9,601	54,501	149,687
Fiscal 2004	6,612	57,489	92,198
Fiscal 2005	3,460	60,642	31,556
Fiscal 2006	494	31,556	0
Total	$ 47,720	$ 304,838	

Capital Leases

The District entered into a lease for the acquisition of a copier. The terms of the agreement provide options to purchase the equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No.13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Therefore, these lease agreements have been recorded at the present value of the future minimum lease payments as of their date of their inception.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30TH :

2001	$ 4,763
2002	495
	5,258
Less amounts representing interest	33
Present value of minimum least payments	$ 5,225

8. Changes in the General Long Obligation Account Group:

During the year ended June 30th the following changes occurred in liabilities reported in the general long-term obligations account group. Compensated absences will be paid from the fund from which the employee is paid.

	July 1, 1999	Addition	Deduction	June 30, 2000
Compensated absences:				
Sick leave and vacation	$ 1,194,001	23,976	0	1,217,977
Due to other governments	75,972	10,288	0	86,260
Energy conservation measure notes	351,274	0	46,436	304,838
Capital lease	9,247	0	4,022	5,225
Total	$ 1,630,494	34,264	50,458	1,614,300

9. Segment Information:

Enterprise funds - The District maintains two Enterprise Funds to account for the operations of food services and uniform school supply sales. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30th:

	Food Service	Uniform School Supplies	Total
Operating revenues	$ 441,798	4,967	446,765
Operating expenses before depreciation	595,602	20,361	615,963
Depreciation	10,599	0	10,599
Operating income (loss)	(164,403)	(15,394)	(179,797)
Other	167,758	0	167,758
Net income (loss)	3,355	(15,394)	(12,039)
Net working capital	58,238	(330)	57,908
Total assets	178,240	(330)	177,910
Total liabilities	58,335	0	58,335
Total equity	$119,905	(330)	119,575

Contributed capital -food service enterprise fund

During the fiscal year, contributed capital did not change.

10. Defined Benefit Pension Plans:

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer public employee defined benefit retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Chapter 3309 of the Ohio Revised Code establishes benefits. SERS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or calling (614) 222-5853.

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

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, 1998, were $258,780, $227,916, and $229,872, respectively; 50% has been contributed for fiscal year 2000, and 100% for 1999 and 1998. $129,390, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the term-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (The STRS), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Chapter 3307 of the Ohio Revised Code establishes benefits. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

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

Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School districts required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were $847,260, $809,520, and $745,548, respectively; 83.33% has been contributed for fiscal year 2000, and 100% for 1999 and 1998. $141,210 representing the unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds.

C. Social Security System

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

11. Post Employment Benefits

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

For STRS all benefit recipients are required to pay a portion of health care costs in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The board currently allocates employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the School District, this amount equaled $28,904 during the 2000 fiscal year. As of June 30, 2000, eligible benefit recipients totaled 99,011. For the year ended June 30, 2000, net health care costs paid by STRS were $283,137,000.

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

For this fiscal year, employer contributions to find health care benefits were 3.5% 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 2000, the minimum pay has been established at $12,400. For the School District, the amount to fund health care benefits, including surcharge, equaled approximately $87,000 during the 2000 fiscal year .The number of recipients currently receiving health care benefits is 50,000. For the fiscal year ended June 30, 2000, net health care costs paid by SERS were $140,696,340.

12. Other Employee Benefits:

A. Compensated Absences

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

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

B. Insurance Benefits

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

13. Budgetary Basis of Accounting:

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

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

Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP basis	$ (1,963,454)	(20,040)	(499)	149,329
Net adjustment for revenue accruals	1,966,437	(688)	-	57,981
Net adjustment for expense accruals	365,910	155,795	-	127,225
Net adjustments for encumbrances	(306,003)	(62,383)	-	(129,878)
Budgetary basis	$ 62,890	72,684	(499)	204,657

14. Compliance and Accountability:

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

15. Joint Governed Organization:

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

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

16. Contingent Liabilities:

Grants

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

Litigation

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

17. Legal Debt Margin:

The Ohio Revised code provides that voted net general obligation debt of the District should never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30^{th} are a voted debt margin of $32,687,100 and an unvoted debt margin of $365,190.

18. Risk Management:

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees' and natural disasters. During the fiscal year, commercial insurance carriers provided insurance coverage for property, liability, and vehicles. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

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

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

19. Fund Balance Deficits:

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

Special Revenue Funds:

Title I

School net professional development

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

20. State School Funding Decision:

On March 27, 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 Ohio General Assembly 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 support to the District. During the fiscal year ended June 30, 2000 the District received $1,406,281 of school foundation support for its general fund.

Also, the Court declared the spending reserve borrowing program unconstitutional. The spending reserve program allowed the School District to borrow against amounts anticipated to be collected from tangible personal property taxes after the School District's June 30 fiscal year end. State statute has recently been amended to gradually decrease the annual amount that may be borrowed under this program.

Since the Supreme Court ruling, the Ohio General Assembly has passed numerous pieces of legislation 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 the 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 the financial statements, the District is unable to determine what effects, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

21. Statutory Reserves:

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

	Textbooks	Capital Acquisition	Budget Stabilization	Total
Set-aside Cash Balance as of June 30, 1999	$ -	-	70,105	70,105
Current Year Set-aside Requirement	336,316	336,316	112,105	784,737
Current Year Offsets Qualifying Disbursements	336,316	336,316	-	672,632
Set-aside Cash Balance as of June 30, 2000	$	-	182,210	
Amount Restricted for Bus Purchases -				-
Total Restricted Assets				$ 182,210

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

Expenditures for the Capital Acquisition activity during the year totaled $542,257, which exceeded the amount required for the set-aside.

An additional contribution of $112,105, was required for the Budget Stabilization set-aside because the annual increase in revenue as defined by the State Auditor's office was 6.57%. A 3% increase is required to trigger additional contributions to the Budget Stabilization Fund.

THREE RIVERS LOCAL SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2000

Federal Grantor/Program Title	Pass-through Entity Number	CFDA #	Federal Receipts	Federal Expenditures
U.S. Dept. of Agriculture Passed through State Dept. of Education				
Child Nutrition Cluster:				
National School Lunch Program	04-PU-00	10.555	$ 106,678	$ 106,678
National School Breakfast Program	05-PU-00	10.553	15,985	$15,985
In-Kind Commodities	N/A	10.550	29,642	$29,642
Total Dept. of Agriculture			152,305	152,305
U.S. Dept. of Education Passed through State Dept. of Education				
Title I	CI-S1-00	84.010	330,415	330,415
Title II	GB-SF-00	84.151	4,748	4,748
Title VI-B	C2-S1-00	84.027	104,705	104,705
Vocational Education		84.048	4,686	4,686
Drug Free Schools	DR-S1-00	84.186	9,583	9,583
Total U.S. Dept. of Education			454,137	454,137
U.S. Dept. of Labor through Hamilton County				
Job Training Parnership Act		17.998	5,239	5,239
Total Federal Financial Assistance			$ 611,681	$ 611,681

A - Amount represents cost of commodities not actual dollars.

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

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

We have audited the financial statements of the Three Rivers Local School District (the District) as of and for the year ended June 30, 2000 and have issued our report thereon dated January 28, 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 noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted other matters involving compliance that we have reported to the District in a separate letter dated January 28, 2001.

Internal Control over Financial Reporting

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

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

Clark, Schaefer, Hackett & Co.

Middletown, Ohio
January 28, 2001

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

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

Compliance

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

We conducted our audit of compliance in accordance with 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 Organization*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 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 programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

Clark, Schaefer, Hackett & Co.

Middletown, Ohio
January 28, 2001

Schedule of Findings and Questioned Costs
OMB Circular A - 133

Three Rivers Local School District

June 30, 2000

1. SUMMARY OF AUDITOR'S RESULTS

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

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

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

NONE

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

THREE RIVERS LOCAL SCHOOL DISTRICT

Schedule of Prior Audit Findings and Questioned Costs

June 30, 2000

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

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THREE RIVERS LOCAL SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 1, 2001