ST. BERNARD-ELMWOOD PLACE CITY SCHOOL DISTRICT
HAMILTON COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2002

Auditor of State
Betty Montgomery

ST. BERNARD-ELMWOOD PLACE CITY SCHOOL DISTRICT
HAMILTON COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

St. Bernard-Elmwood Place City School District
Hamilton County
105 Washington Avenue
St. Bernard, Ohio 45217

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the St. Bernard-Elmwood Place City School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2002, 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 general-purpose financial statements based on our audit.

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

We were unable to obtain documentation supporting the District's lunchroom a la carte receipts (reflected as charges for services in the enterprise funds), due to the District's lack of records, nor were we able to satisfy ourselves as to those financial activities by other auditing procedures. Those financial activities represent 19 percent of the revenues of the Enterprise Fund Type.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to audit the a la carte lunchroom receipts, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2003 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.

We performed our audit to form an opinion on the general-purpose financial statements of the District taken as a whole. The accompanying schedule of federal awards expenditures is presented for 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 also not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Betty Montgomery

Betty Montgomery
Auditor of State

January 22, 2003

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St. Bernard-Elmwood Place City School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Equity in Pooled Cash and Investments	$2,470,600	$521,138	$59,922	$163,110
Restricted Equity in Pooled Cash and Investments	7,566	0	0	0
Receivables:				
Taxes	7,677,088	0	0	0
Intergovernmental	0	156,837	0	3,450
Accounts	12,481	291	0	0
Accrued Interest	4,511	200	0	269
Inventory	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets & Other Debits	$10,172,246	$678,466	$59,922	$166,829
Liabilities, Fund Equity & Other Credits:				
Liabilities:				
Accounts Payable	$38,474	$823	$0	$0
Accrued Wages & Benefits	901,114	73,577	0	0
Compensated Absences Payable	90,969	0	0	0
Deferred Revenue	6,754,588	133,665	0	0
Due to Students	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	7,785,145	208,065	0	0
Fund Equity & Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	43,523	69,400	0	0
Reserved for Property Tax Advances	922,500	0	0	0
Reserved for Set-Asides	7,566	0	0	0
Unreserved & Undesignated	1,413,512	401,001	59,922	166,829
Total Fund Equity & Other Credits	2,387,101	470,401	59,922	166,829
Total Liabilities, Fund Equity & Other Credits	$10,172,246	$678,466	$59,922	$166,829

See accompanying notes.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		
Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)
$82,559	$50,668	$0	$0	$3,347,997
0	0	0	0	7,566
0	0	0	0	7,677,088
24,845	0	0	0	185,132
1,165	5,150	0	0	19,087
101	30	0	0	5,111
7,887	0	0	0	7,887
19,742	0	9,169,733	0	9,189,475
0	0	0	59,922	59,922
0	0	0	912,644	912,644
$136,299	$55,848	$9,169,733	$972,566	$21,411,909
$619	$4,334	$0	$0	$44,250
36,885	0	0	12,463	1,024,039
22,365	0	0	760,103	873,437
6,777	0	0	0	6,895,030
0	11,488	0	0	11,488
0	0	0	200,000	200,000
66,646	15,822	0	972,566	9,048,244
0	0	9,169,733	0	9,169,733
8,295	0	0	0	8,295
61,358	0	0	0	61,358
0	0	0	0	112,923
0	0	0	0	922,500
0	0	0	0	7,566
0	40,026	0	0	2,081,290
69,653	40,026	9,169,733	0	12,363,665
$136,299	$55,848	$9,169,733	$972,566	$21,411,909

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St. Bernard-Elmwood Place City School District
Combined Statement of Revenues, Expenditures
And Changes in Fund Balance
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended June 30, 2002

	Governmental Fund Types				Fiduciary Fund Type	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Totals (Memorandum Only)
Revenues:						
Taxes	$8,081,499	$0	$0	$0	$0	$8,081,499
Intergovernmental	1,375,843	1,389,196	0	3,450	0	2,768,489
Investment	96,064	1,304	0	3,994	347	101,709
Tuition & Fees	14,940	218	0	0	0	15,158
Extracurricular Activities	0	81,008	0	0	0	81,008
Miscellaneous	32,072	48,791	0	0	16,170	97,033
Total Revenues	9,600,418	1,520,517	0	7,444	16,517	11,144,896
Expenditures:						
Current:						
Instruction:						
Regular	4,197,883	627,033	0	0	163	4,825,079
Special	721,671	97,100	0	0	0	818,771
Support Services:						
Pupils	542,252	160,745	0	0	0	702,997
Instructional Staff	683,379	144,143	0	0	0	827,522
Board of Education	19,449	0	0	0	0	19,449
Administration	897,899	0	0	0	0	897,899
Fiscal	279,917	0	0	0	0	279,917
Operation & Maintenance of Plant	1,006,234	1,558	0	16,705	0	1,024,497
Pupil Transportation	162,136	0	0	42,413	0	204,549
Central	240,864	25,650	0	9,000	1,233	276,747
Operation of Non-Instructional Services	1,005	570,219	0	0	3,700	574,924
Extracurricular Activities	168,398	79,696	0	0	0	248,094
Debt Service:						
Principal Retirement	11,344	0	50,000	0	0	61,344
Interest & Fiscal Charges	386	0	12,750	0	0	13,136
Total Expenditures	8,932,817	1,706,144	62,750	68,118	5,096	10,774,925
Excess of Revenues Over (Under) Expenditures	667,601	(185,627)	(62,750)	(60,674)	11,421	369,971
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	140	0	0	0	0	140
Operating Transfers In	0	11,500	121,385	100,000	0	232,885
Operating Transfers Out	(232,885)	0	0	0	0	(232,885)
Total Other Financing Sources (Uses)	(232,745)	11,500	121,385	100,000	0	140
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	434,856	(174,127)	58,635	39,326	11,421	370,111
Fund Balance, Beginning of Year	1,952,245	644,528	1,287	127,503	22,904	2,748,467
Fund Balance, End of Year	$2,387,101	$470,401	$59,922	$166,829	$34,325	$3,118,578

See accompanying notes.

St. Bernard-Elmwood Place City School District
Combined Statement of Revenues, Expenditures
And Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
All Governmental Fund Types
For the Year Ended June 30, 2002

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	$7,838,498	$7,838,499	$1	$0	$0	$0
Intergovernmental	1,213,250	1,375,843	162,593	1,472,454	1,472,454	0
Investment	95,000	91,553	(3,447)	828	1,104	276
Tuition & Fees	15,925	14,882	(1,043)	500	218	(282)
Extracurricular Activities	0	0	0	76,442	80,828	4,386
Miscellaneous	29,000	21,388	(7,612)	44,024	52,928	8,904
Total Revenues	9,191,673	9,342,165	150,492	1,594,248	1,607,532	13,284
Expenditures:						
Current:						
Instruction:						
Regular	4,282,973	4,215,817	67,156	653,850	588,822	65,028
Special	607,865	720,689	(112,824)	101,254	99,387	1,867
Pupils	555,134	527,915	27,219	209,717	162,487	47,230
Instructional Staff	836,196	687,548	148,648	206,003	163,786	42,217
Board of Education	20,848	19,763	1,085	0	0	0
Administration	950,690	878,094	72,596	6,696	0	6,696
Fiscal	305,790	284,765	21,025	0	0	0
Operation & Maintenance of Plant	1,156,047	1,049,989	106,058	3,119	2,572	547
Pupil Transportation	166,148	179,539	(13,391)	100	0	100
Central	353,814	249,594	104,220	74,730	38,729	36,001
Operation of Non-Instructional Services	0	1,006	(1,006)	651,251	597,829	53,422
Extracurricular Activities	168,472	166,821	1,651	111,461	105,428	6,033
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest & Fiscal Charges	0	0	0	0	0	0
Total Expenditures	9,403,977	8,981,540	422,437	2,018,181	1,759,040	259,141
Excess (Deficiency) of Revenues Over (Under) Expenditures	(212,304)	360,625	572,929	(423,933)	(151,508)	272,425
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	40	140	100	0	0	0
Operating Transfers In	0	0	0	11,500	11,500	0
Operating Transfers Out	(172,962)	(232,885)	(59,923)	0	(85)	(85)
Total Other Financing Sources (Uses)	(172,922)	(232,745)	(59,823)	11,500	11,415	(85)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Us	(385,226)	127,880	513,106	(412,433)	(140,093)	272,340
Fund Balance, Beginning of Year (Includes Prior Year Encumbrances Appropriated)	2,286,463	2,286,463	0	591,005	591,005	0
Fund Balance, End of Year	$1,901,237	$2,414,343	$513,106	$178,572	$450,912	$272,340

See accompanying notes.

Debt Service			Capital Projects			Totals (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
$0	$0	$0	$0	$0	$0	$7,838,498	$7,838,499	$1
0	0	0	0	0	0	2,685,704	2,848,297	162,593
0	0	0	2,500	3,725	1,225	98,328	96,382	(1,946)
0	0	0	0	0	0	16,425	15,100	(1,325)
0	0	0	0	0	0	76,442	80,828	4,386
0	0	0	0	0	0	73,024	74,316	1,292
0	0	0	2,500	3,725	1,225	10,788,421	10,953,422	165,001
0	0	0	0	0	0	4,936,823	4,804,639	132,184
0	0	0	0	0	0	709,119	820,076	(110,957)
0	0	0	0	0	0	764,851	690,402	74,449
		0	0	0	0	1,042,199	851,334	190,865
0	0	0	0	0	0	20,848	19,763	1,085
0	0	0	0	0	0	957,386	878,094	79,292
0	0	0	0	0	0	305,790	284,765	21,025
0	0	0	16,705	16,705	0	1,175,871	1,069,266	106,605
0	0	0	45,000	42,413	2,587	211,248	221,952	(10,704)
0	0	0	9,968	9,968	0	438,512	298,291	140,221
0	0	0	0	0	0	651,251	598,835	52,416
0	0	0	0	0	0	279,933	272,249	7,684
50,000	50,000	0	0	0	0	50,000	50,000	0
12,750	12,750	0	0	0	0	12,750	12,750	0
62,750	62,750	0	71,673	69,086	2,587	11,556,581	10,872,416	684,165
(62,750)	(62,750)	0	(69,173)	(65,361)	3,812	(768,160)	81,006	849,166
0	0	0	0	0	0	40	140	100
61,462	121,385	59,923	100,000	100,000	0	172,962	232,885	59,923
0	0	0	0	0	0	(172,962)	(232,970)	(60,008)
61,462	121,385	59,923	100,000	100,000	0	40	55	15
(1,288)	58,635	59,923	30,827	34,639	3,812	(768,120)	81,061	849,181
1,288	1,288	0	128,472	128,472	0	3,007,228	3,007,228	0
$0	$59,923	$59,923	$159,299	$163,111	$3,812	$2,239,108	$3,088,289	$849,181

St. Bernard-Elmwood Place City School District
Combined Statement of Revenues, Expenses
And Changes in Retained Earnings/Fund Balance
Proprietary Fund Type and NonExpendable Trust Fund
For the Year Ended June 30, 2002

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise	Nonexpendable Trust	Totals (Memorandum Only)
Operating Revenues:			
Investment Revenue	$0	$169	$169
Charges for Services	210,253	0	210,253
Total Operating Revenues	210,253	169	210,422
Operating Expenses:			
Salaries	158,220	0	158,220
Fringe Benefits	70,310	0	70,310
Purchased Services	3,809	0	3,809
Materials & Supplies	189,539	0	189,539
Depreciation	3,391	0	3,391
Other Operating Expenses	766	460	1,226
Total Operating Expenses	426,035	460	426,495
Operating Income (Loss)	(215,782)	(291)	(216,073)
Non-Operating Revenues (Expenses):			
Investment Revenue	1,921	0	1,921
Donated Commodities	18,040	0	18,040
Operating Grants - State & Local	13,447	0	13,447
Operating Grants - Federal	193,850	0	193,850
Total Non-Operating Revenues	227,258	0	227,258
Net Income (Loss)	11,476	(291)	11,185
Retained Earnings/Fund Balance, Beginning of Year	49,882	5,992	55,874
Retained Earnings/Fund Balance, End of Year	$61,358	$5,701	$67,059

See accompanying notes.

St. Bernard-Elmwood Place City School District
Combined Statement of Cash Flows
All Proprietary Fund Types and Nonexpendable Trust Fund
For the Year Ended June 30, 2002

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise	Nonexpendable Trust	Totals (Memorandum only)
Cash Flows from Operating Activities:			
Cash Received from Investment Earnings	$0	$159	$159
Cash Received from Charges for Services	210,212	0	210,212
Cash Payments for Personal Services	(219,735)	0	(219,735)
Cash Payments for Contract Services	(3,809)	0	(3,809)
Cash Payments for Supplies & Materials	(170,717)	0	(170,717)
Cash Payments for Other Expenses	(766)	(460)	(1,226)
Net Cash Used by Operating Activities	(184,815)	(301)	(185,116)
Cash Flows from Non-Capital Financing Activities:			
Cash Received from Operating Grants	182,452	0	182,452
Cash Received from Investment Earnings	1,820	0	1,820
Net Cash Provided by Non-Capital Financing Activities	184,272	0	184,272
Net Decrease in Cash and Cash Equivalents	(543)	(301)	(844)
Cash and Cash Equivalents at Beginning of Year	83,102	5,992	89,094
Cash and Cash Equivalents at End of Year	$82,559	$5,691	$88,250
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:			
Operating Loss	($215,782)	($291)	($216,073)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:			
Depreciation	3,391	0	3,391
Donated Commodities Used	18,040	0	18,040
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivables	(41)	0	(41)
(Increase) Decrease in Accrued Interest	0	(10)	(10)
(Increase) Decrease in Materials & Supplies Inventory	(2,689)	0	(2,689)
Increase (Decrease) in Accounts Payable	619	0	619
Increase (Decrease) in Accrued Wages & Benefits	1,476	0	1,476
Increase (Decrease) in Compensated Absences Payable	7,319	0	7,319
Increase (Decrease) in Deferred Revenue	2,852	0	2,852
Net Cash Used by Operating Activities	($184,815)	($301)	($185,116)

Reconciliation of Nonexpendable Trust Fund to Balance Sheet:

Equity in Pooled Cash and Investments - All Fiduciary Funds	$50,668
Equity in Pooled Cash and Investments - Agency Fund and Expendable Trust Fund	(44,977)
Equity in Pooled Cash and Investments - Nonexpendable Trust Fund	$5,691

See accompanying notes.

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ST. BERNARD-ELMWOOD PLACE CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE STATEMENTS
JUNE 30, 2002

NOTE A--DESCRIPTION OF THE DISTRICT

The St. Bernard-Elmwood Place City School District (the District) was charted by the Ohio State Legislature in 1968. Prior to 1968, Elmwood Place and St. Bernard were separate school districts. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies.

The District is the fifth smallest in Hamilton County in terms of enrollment. It currently operates two elementary schools (grades preschool-6 and grades K-6), and one junior/senior high school (grades 7-12).

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Reporting Entity

For financial reporting purposes the District's financial statements include all funds and account groups for which the District is financially accountable based upon criteria set forth in GASB Statement 14. Under this criteria only the primary government is included in the financial statements. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. The District also considered potential component units for inclusion in the financial statements. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e. the District) are financially accountable. The District would consider an organization to be a component if:

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

2. The organization is fiscally dependent upon the District; or

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

The District included no component units in the financial statements.

Basis of Presentation - Fund Accounting

The accounts of the District are maintained on the basis of fund and account groups. The operation of each fund is accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. An account group is a financial reporting devise designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they are not directly affect net expendable available financial resources. The following fund types and account groups are used by the District:

<u>Governmental Funds</u> - 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:

<u>General Fund</u>

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.

<u>Special Revenue Funds</u>

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.

<u>Debt Service Fund</u>

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.

<u>Capital Projects Funds</u>

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

Fiduciary Funds - Fiduciary Funds are used to account for the assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These included Expendable Trust, Nonexpendable Trust and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as Governmental Funds. 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 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 District, other than those accounted for in Proprietary Funds and Trust Funds.

General Long Term Obligations Account Group

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

Measurement Focus/Basis of Accounting

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 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 retained earnings components. The proprietary fund type operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses 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. The full accrual basis of accounting is followed for the proprietary and nonexpendable trust funds.

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end; property taxes available as an advance, tuition, grants, student fees and rentals.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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 governmental funds.

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

Budgetary Data

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

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

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

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

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

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

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

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

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

Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. All funds, other than agency funds, are legally required to be budgeted and appropriated.

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

Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2002 and none were significant.

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

Encumbrances

Encumbrance accounting is utilized by District funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to a 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 funds as the equivalent of expenditures/expenses on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note M provides reconciliation of the budgetary basis and GAAP basis of accounting.

Cash and Investments

Cash received by the District is deposited in one of two 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 date within three months of the date acquired) which are stated at cost.

Under existing Ohio statutes, all investment earnings accrue to the General Fund except those specifically related to Auxiliary Service Fund, Food Service Fund, Capital Projects Fund and certain trust funds and those funds individually authorized by Board resolution.

Investment earnings are allocated to these funds based on average monthly cash balances. Investment income earned in fiscal year 2002 totaled $103,799.

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

The District's only investment is in State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2002. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2002.

Restricted Assets

Restricted assets in the general fund represent cash and investments set aside to establish a capital acquisition reserve.

Inventory (Materials and Supplies)

Inventories of Proprietary Funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories of Proprietary Funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

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 dispositions 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 $500 and a useful life of less than 5 years. No depreciation is recognized for fixed assets in the General Fixed Assets Account Group. The District does not record 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:

Asset	Life (years)
Building	30 to 50
Building Improvements	10 to 40
Improvements other than Buildings	10 to 20
Furniture, Fixtures and Equipment	05 to 20

Interfund Transactions

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

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

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

Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds. The District had no interfund loans or advances in 2002.

Compensated Absences

GASB Statement No. 16 specifies that compensated absences should be accrued as they are earned by employees if both of the following conditions are met:

1. The employee's rights to receive compensation are attributable to services already rendered.

2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payment.

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

Vacation	Certified	Administrators	Non-Certificated
How earned	Not Eligible	1.75-2.25 days per month	10-21 days for each service year depending on length of service.
Maximum Accumulation	Not Applicable	Must use annually	Must use annually
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination
Sick Leave			
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	215 days	Number of days in contract -- 275	Number of days in contract -- 191-260
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

For Governmental Funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as expenditure and a fund liability of the respective Governmental Fund. Amounts that are not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Obligations Account Group. Compensated absences of Proprietary Funds are recorded as an expense and liability of the respective Proprietary Fund.

The District assumes that all employees with ten years of service in the District will retire from the District, and will be eligible for severance pay. Payment is made based on one-fourth of the employee’s total sick leave accumulation up to a maximum of 53.75 days for certified and classified employees, and 68.75 days for administrators and the treasurer.

Long-Term Obligations

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

Fund Equity

Contributed capital is recorded in Proprietary Funds that received capital grants or contributions from other funds, before July 1, 2000.

Reserved fund balances indicate that a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Governmental Fund balances are reserved for encumbrances, property tax advances, and reserved for set-asides reserves. 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 do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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

NOTE C--EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund 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. Interim deposits must be made evidenced by the time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including passbook savings.

State legislation permits interim monies 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 and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuance of federal government agencies or instrumentalities.

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio);

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

At year end the carrying amount of the District's deposits was $469,545 and the bank balance was $540,678. $200,000 of the bank balance was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State Statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the School District to a successful claim by the FDIC.

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

Based on the above criteria, the District's investments at June 30, 2002 are classified as follows:

	Carrying Value/ Fair Value
State Treasury Pool (1)	$2,886,018

(1) These investments are not categorized because they are not evidenced by securities that exist in physical or book entry form.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes 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 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

NOTE D--PROPERTY TAXES

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 2001 were based, is as follows:

Tangible Personal	$116,912,390
Real Estate	87,986,430
Total assessed property value	$204,898,820

Real property taxes collected in 2002 were levied in April on the assessed values as of January 1, 2001, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. A revaluation of real property is required to be completed no less than every six years, with a statistical update every third year. Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25% of true value (as defined). In 2002, each business was eligible to receive a $10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2002, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

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

Accrued property taxes receivable represents real property, personal property, and public utility taxes which became measurable as of June 30, 2002. Delinquent property taxes collected within 60 days are included as receivable and tax revenue as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was $922,500 and is recognized as revenue. The amount available for advance at June 30, 2001, was $679,500.

NOTE E--FIXED ASSETS

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

	July 1, 2001	Additions	Deletions	June 30,2002
Land	$ 311,866	$ -0-	$ -0-	$ 311,866
Building	6,865,130	16,705	-0-	6,881,835
Furniture & Equipment	1,796,837	179,195	-0-	1,976,032
Total	$ 8,973,833	$ 195,900	$ -0-	$ 9,169,733

There was no significant construction in progress as of June 30, 2002.

A summary of the Proprietary Fund fixed assets at June 30, 2002 follows:

Furniture and Equipment	$82,418
Less: Accumulated Depreciation	(62,676)
Net Fixed Assets - Proprietary Fund	$19,742

NOTE F--CAPITALIZED LEASES

In 1996 and 1997 the District has entered into capitalized lease agreements for the acquisition of certain office equipment. The terms of the agreements provide an option to purchase the equipment. Each 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 lease at the conclusion of the lease term.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the general purpose financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Fixed assets acquired by lease have been capitalized in the general fixed assets account group at a value which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group.

The capital lease was paid off in fiscal year 2002.

NOTE G--THE GENERAL LONG TERM OBLIGATION ACCOUNT GROUP

The current obligation bonds outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligation of the District are accounted for in the General Long-term Obligation Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund.

The following is a description of the District's bonds outstanding as of June 30, 2002:

Purpose BONDS:	Interest Rate	Issue Date	Maturity Date	Balance 6/30/01	Retired 2002	Balance 6/30/02
School Facilities	5.15%	7/21/95	7/21/05	$250,000	$50,000	$200,000
Total				$250,000	$50,000	$200,000

The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds:

	General Obligation Bonds		
Year Ending	Principal	Interest	Total
2003	$50,000	$9,923	$59,923
2004	50,000	7,088	57,088
2005	50,000	4,253	54,253
2006	50,000	1,418	51,418
	$200,000	$22,682	$222,682

NOTE H--CHANGES IN THE GENERAL LONG TERM OBLIGATIONS ACCOUNT GROUP

During the year ended June 30, 2002, the following changes occurred in the General Long Term Obligations Account Group. Compensated absences and accrued wages will be paid from the fund from which the employee is paid. Bonds will be paid from the Debit Service Fund. Capital leases are paid from the General Fund.

	July 1, 2001	Additions	Deletions	June 30, 2002
Compensated Absences:				
Sick Leave/Vacation Leave	$ 803,186	$ -0-	$ 43,083	$ 760,103
Accrued Wages & Benefits	8,271	4,192	-0-	12,463
General Obligation Debt:				
Bonds	250,000	-0-	50,000	200,000
Capital Leases	11,344	-0-	11,344	0
Total	$1,072,801	$ 4,192	$ 104,427	$972,566

NOTE I--LEGAL DEBT MARGIN

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. As of June 30, 2002 this amounted to $18,440,894. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. As of June 30, 2002 this amounted to $20,490.

NOTE J--SEGMENT INFORMATION

Enterprise Funds - The District maintains two Enterprise Funds to account for the operations of Food Services and Uniform Supply. 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 30, 2002.

	Food Service	Uniform Supply	Total
Operating Revenues	$210,253	$ -0-	$210,253
Operating expenses before depreciation	422,644	-0-	422,644
Depreciation	3,391	-0-	3,391
Operating Income (Loss)	(215,782)	-0-	(215,782)
Donated Commodities	18,040	-0-	18,040
Operating Grants	207,297	-0-	207,297
Other Non-Operating Revenue	1,921	-0-	1,921
Net Income (Loss)	11,476	-0-	11,476
Net Working Capital	49,751	160	49,911
Total Assets	136,139	160	136,299
Total Liability	66,646	-0-	66,646
Total Equity	69,493	160	69,653

NOTE K--DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14%, 5.46% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's contributions to SERS for the years ending June 30, 2002, 2001 and 2000 were $264,677, $152,498, and $165,792, respectively; 89% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. $29,154 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial 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.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%, 9.5% was the portion to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions to STRS for the years ending June 30, 2002, 2001 and 2000 were $1,155,850, $1,022,667, and $945,683, respectively; 89% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. $133,999 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds.

NOTE L--POST EMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS) and to retired non-certificated 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 the State statute. Both Systems are funded on a pay-as-you go basis.

The State Teachers Retirement Board has statutory 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. The Retirement Board allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was $3.256 billion at June 30, 2001. For the year ended June 30, 2001, net health care costs paid by STRS were $300,772,000 and STRS had 102,132 eligible recipients.

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 the fiscal year, employer contributions to fund health care benefits were 8.54% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at $12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the assets target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001, were $182,946,777 and the target level was $274.4 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of $335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE M--BUDGETARY BASIS OF ACCOUNTING

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

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

Governmental Fund Types	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis	$434,856	($174,127)	$58,635	$39,326
Net Adjustment for Revenue Accruals	(258,253)	87,015	0	(3,719)
Net Adjustment for Expenditure Accruals	15,096	17,242	0	(968)
Encumbrances	(63,819)	(70,223)	0	0
Budgetary Basis	$127,880	($140,093)	$58,635	$34,639

NOTE N--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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2002.

NOTE O--JOINTLY GOVERNED ORGANIZATION

The Hamilton/Clermont Cooperative Association (H/CCA) is a jointly governed organization consisting of 24 school districts. The 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 member districts. Each of the governments of these schools supports H/CCA and shares in a percentage of the equity based on the resources provided. H/CCA is governed by a board of directors consisting of the superintendents or designees of the member school districts. The degree of control exercised by any participating School District is limited to its representation on the board. During the 2002 fiscal year, the District paid $21,427.25 to the H/CCA for services. Financial information can be obtained by writing to Hamilton/Clermont Cooperative Association, 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

The Great Oaks Joint Vocational School, a jointly governed organization, is a district political subdivision of the State of Ohio which operates under the direction of a board consisting of a representative from each participating school district's elected board. That board possesses its own budgeting and taxing authority. The Vocational School provides academic preparation and job training which lead to employment and/or further education upon graduation from high school. The District has no ongoing financial interest in or responsibility for the Vocational School. To obtain financial information write to the Great Oaks Institute of Technology and Career Development, 3254 East Kemper Road, Cincinnati, Ohio 45241-1581.

NOTE P--OSBA GROUP RATING PROGRAM

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (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 Ohio School Boards Association (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.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of GatesMcDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

NOTE Q--INSURANCE PURCHASING POOL

The Greater Cincinnati Insurance Consortium (GCIC) - The District participates in the GCIC, an insurance purchasing pool. The District can obtain better coverage and/or lower premiums by purchasing health, dental, and life insurance benefits through the pool.

NOTE R—UNCERTAINTIES

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "…the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient…".

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

NOTE S--LITIGATION

All potential claims against the District, from current litigation, are covered by insurance. As of June 30, 2002, the District had no pending litigation or potential liability that would have a material effect on the financial statements.

NOTE T-- 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. The District carries insurance coverage with the following companies:

COVERAGE	COMPANY
Automobile	Indiana Insurance Company
Property	Indiana Insurance Company
General Liability	Nationwide Insurance Company

Limits and deductible amounts for the above policies vary accordingly.

COVERAGE	LIMITS	DEDUCTIBLES
Automobile	$1,000,000 each occurrence	$250 collision
Property	Covered for value of loss	$1,000 each loss
General Liability	$2,000,000 each occurrence $5,000,000 general aggregate	

The District pays the State of Ohio Bureau of Workers' Compensation System a premium based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs.

There were no significant reductions in insurance coverage from the prior year. Also, there were no settlements that exceeded insurance coverage for the past three years.

NOTE U-- STATUTORY RESERVES

The District is required by the state to spend a certain percentage of the District's budget for textbooks and capital improvements. A schedule for the fiscal year ending June 30, 2002 is as follows:

	Textbooks	Capital Acquisitions	Budget Stabilization	Totals
Set-aside cash Balance as of June 30, 2001	$0	$63,851	$0	$63,851
Current Year Set-aside Requirement	140,947	140,947	0	281,894
Current Year Offsets	0	0	0	0
Qualifying Disbursements	(309,385)	(197,232)	0	(506,617)
Total	($168,438)	$7,566	$0	($160,872)
Set-Aside Balance Carried Forward to Future Years	($168,438)	$7,566	$0	($168,438)
Total Restricted Assets				$7,566

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may be used to reduce the set-aside requirements of future years.

Senate Bill 345 eliminated the Budget Stabilization Reserve. The Board of Education decided to transfer the reserve to unrestricted General Fund monies.

ST. BERNARD-ELMWOOD PLACE CITY SCHOOL DISTRICT

HAMILTON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED June 30, 2002

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
Food Distribution Program		10.550	$0	$20,892	$0	$18,040
National School Breakfast Program		10.553	33,540		33,540	
National School Lunch Program		10.555	147,835		147,835	
Total U.S. Department of Agriculture - Nutrition Cluster			**181,375**	**20,892**	**181,375**	**18,040**
U.S. DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)		84.027	132,037		136,525	
Total Special Education Cluster			**132,037**		**136,525**	
Grants to Local Educational Agencies (ESEA Title I)		84.010	174,833		192,175	
Career Education		84.049	1,848		1,666	
Title VI		84.151	4,508		4,508	
Drug-Free Schools Grant		84.186	24,773		29,903	
Title II		84.281	5,046		-	
Goals 2000		84.276	-		18,025	
Title VI-R		84.340	34,606		38,290	
Total Department of Education			**377,651**		**421,092**	
Totals			**$559,026**	**$20,892**	**$602,467**	**$18,040**

The accompanying notes to this schedule are an integral part of this schedule.

ST. BERNARD-ELMWOOD PLACE CITY SCHOOL DISTRICT
HAMILTON COUNTY

NOTES TO THE FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B--FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

NOTE C -- MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

St. Bernard-Elmwood Place City School District
Hamilton County
105 Washington Avenue
St. Bernard, Ohio 45217

To the Board of Education:

We have audited the financial statements of St. Bernard-Elmwood Place City School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2002, which was qualified due to a lack of documentation for certain Enterprise Fund food service fund revenue and have issued our report thereon dated January 22, 2003. Except regarding food service fund revenue, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-10431-002 and 2002-10431-003.

We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 22, 2003.

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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-10431-001 and 2002-10431-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2002-10431-001 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 22, 2003.

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

Betty Montgomery

Betty Montgomery
Auditor of State

January 22, 2003

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

St. Bernard-Elmwood Place City School District
Hamilton County
105 Washington Avenue
St. Bernard, Ohio 45217

To the Board of Education:

Compliance

We have audited the compliance of St. Bernard-Elmwood Place City School District, Hamilton County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. St. Bernard-Elmwood Place City School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of St. Bernard-Elmwood Place City School District's management. Our responsibility is to express an opinion on St. Bernard-Elmwood Place City School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about St. Bernard-Elmwood Place City School 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, 2002. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the District in a separate letter dated January 22, 2003.

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 and use of the audit committee, management, Board of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

January 22, 2003

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2002

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Qualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(ii)	**Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(iii)	**Was there any reported material non-compliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other reportable internal control weakness conditions reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under Section .510?**	No
(d)(1)(vii)	**Major Programs (list):**	Title I (84.010)
(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

FINDING NUMBER 2002-10431-001

Material Weakness

A la cart sales reported on the monthly CN6 and CN7 reports account for nineteen percent (19%) of the total Enterprise fund revenues. However, the food service department lacks sufficient application and monitoring controls to ensure completeness and accuracy of these receipts. Currently, the food service department does not use cash registers for daily cash collection. The department uses a “tally sheet” to identify the number of students who paid for “in full”, “reduced”, and “free” lunches; however, there is no tally for a la cart sales. The daily collections are counted and the amounts collected for “in full”, “reduced”, and milk are subtracted from the total amount collected. The remainder of money collected is reported as a la carte receipts. The use of “tally sheets”, instead of cash registers, makes it difficult to determine the total amount of receipts collected and the failure to document a la carte items makes it impossible to ensure the completeness of those particular receipts. There is no separation of duties over food service collections.

The use of cash registers would allow efficient and accurate reconciliation of actual sales to deposited amounts. The food service cashier currently performs all duties including counting daily cash collections, completing pay-in, and depositing receipts in the night deposit. Segregation of duties will help prevent the misappropriation of funds and ensure that any errors or discrepancies are detected and corrected in a timely manner.

We recommend the District employ the use of cash registers for all food service sales to help the District ensure that all monies collected are deposited. Also, we recommend the District segregate the duties for collecting, recording, and depositing food service receipts to reduce the likelihood of discrepancies or misappropriation of funds.

FINDING NUMBER 2002-10413-002

Material Noncompliance

Fifty percent (50%) of Student Activities receipts tested were not deposited by the required time. Ohio Rev. Code, Section 9.38 requires that public money be deposited with the Treasurer of the public office or to a designated depository on the business day following the day of receipt. Cash not promptly deposited could be susceptible to theft.

Providing the amount of daily receipts does not exceed $1,000 and the receipts can be safeguarded, the District may adopt a policy permitting employees who receive monies to hold it past the next business day. However, the deposit must be made no later than three (3) business days after its receipt. Furthermore, the policy must include provisions and procedures to safeguard the money during the intervening period.

We recommend the District properly deposit monies received within the time required.

FINDING NUMBER 2002-10431-003

Material Noncompliance/Reportable Condition

Twenty-five percent (25%) of the expenditures tested were not certified as to the availability of funds at the time the commitment was made.

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

A. Then and Now Certificates – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

B. If the amount involved is less than $1,000 dollars, the Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Board, if such expenditure is otherwise valid.

We recommend the District properly utilize the encumbrance method of accounting by certifying the availability of funds. The District should obtain approved purchase orders, which contain the Treasurer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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ST. BERNARD-ELMWOOD PLACE 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
FEBRUARY 11, 2003