



Dave Yost • Auditor of State



**THREE RIVERS LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Three Rivers Local School District  
Hamilton County  
401 N. Miami Avenue  
Cleves, OH 45002

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Three Rivers Local School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Three Rivers Local School District, Hamilton County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Receipts and Expenditures of Federal Awards presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 13, 2014

**Three Rivers Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2013**  
(Unaudited)

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The discussion and analysis of Three Rivers Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review notes to the basic financial statements and the basic financial statements to enhance their understanding of the District's performance.

### **Financial Highlights**

Key financial highlights for 2013 are as follows:

- Net position of governmental activities increased \$2,771,010 which represents a 6% increase from 2012.
- General revenues accounted for \$24,567,025 in revenue or 91% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,392,604 or 9% of total revenues \$26,959,629.
- The District had \$24,188,619 in expenses related to governmental activities; \$2,392,604 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$24,567,025 were also used to provide for these programs.

### **Overview of the Financial Statements**

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

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

### **Government-wide Financial Statements**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The Government-wide Financial Statements answers this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Three Rivers Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2013**  
(Unaudited)

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

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

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

### **Fund Financial Statements**

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

The District has two kinds of funds:

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

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



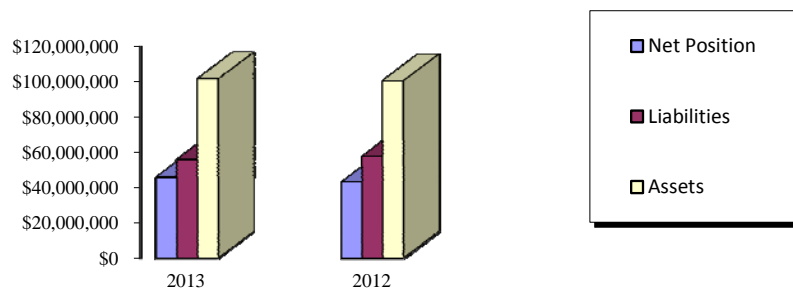
**Three Rivers Local School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
(Unaudited)**

**The District as a Whole**

As stated previously, the Statement of Net position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2013 compared to 2012:

**Table 1  
Net position**

	Governmental Activities	
	2013	2012
Assets:		
Current and Other Assets	\$43,377,249	\$77,773,841
Capital Assets	58,324,823	22,930,630
<b>Total Assets</b>	<b>101,702,072</b>	<b>100,704,471</b>
Liabilities:		
Other Liabilities	14,758,750	15,885,975
Long-Term Liabilities	41,130,306	41,776,490
<b>Total Liabilities</b>	<b>55,889,056</b>	<b>57,662,465</b>
Net Position:		
Net Investment in Capital Assets	25,655,634	8,456,467
Restricted	8,012,808	23,001,753
Unrestricted	12,144,574	11,583,786
<b>Total Net Position</b>	<b>\$45,813,016</b>	<b>\$43,042,006</b>



Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets exceeded liabilities by \$45,813,016.

At year-end, capital assets represented 57% of total assets. Capital assets include land, construction in progress, buildings and improvements, transportation and equipment and fixtures. Capital assets, net of related debt to acquire the assets at June 30, 2013, was \$25,655,634. These capital assets are used to provide services to the students and are not available for future spending.

**Three Rivers Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2013**  
(Unaudited)

A portion of the District's net position, \$8,012,808 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Capital Assets increased due to the continuation of the District's building projects in fiscal year 2013. Long-Term Liabilities decreased mainly due to the District continuing to make principal payments on its long term debt obligations.

Table 2 shows the changes in net position for fiscal years 2013 and 2012.

**Table 2**  
**Changes in Net position**

	Governmental Activities	
	2013	2012
Revenues:		
Program Revenues		
Charges for Services and Sales	\$1,051,827	\$1,104,083
Operating Grants and Contributions	1,340,777	1,302,408
General Revenues:		
Property Taxes	12,626,875	12,278,522
Grants and Entitlements	7,166,918	7,635,587
Other	4,773,232	2,904,277
Total Revenues	26,959,629	25,224,877
Program Expenses:		
Instruction	13,129,560	12,693,711
Support Services:		
Pupil and Instructional Staff	1,940,490	1,761,437
School Administrative, General		
Administration, Fiscal and Business	2,351,990	2,160,040
Operations and Maintenance	1,384,174	1,437,744
Pupil Transportation	1,550,469	1,421,946
Central	127,706	601,319
Operation of Non-Instructional Services	961,932	943,735
Extracurricular Activities	589,563	594,818
Interest and Fiscal Charges	2,152,735	2,134,323
Total Program Expenses	24,188,619	23,749,073
Change in Net Position	2,771,010	1,475,804
Net Position Beginning of Year	43,042,006	41,566,202
Net Position End of Year	\$45,813,016	\$43,042,006

**Three Rivers Local School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
(Unaudited)**

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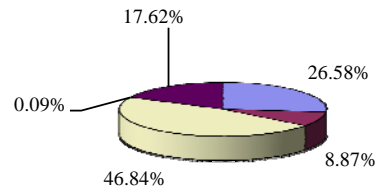
**Governmental Activities**

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

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

Thus, Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 47% of revenue for governmental activities for the District in fiscal year 2013.

Revenue Sources	2013	Percent of Total
General Grants	\$7,166,918	26.58%
Program Revenues	2,392,604	8.87%
General Tax Revenues	12,626,875	46.84%
Investment Earnings	24,179	0.09%
Other Revenues	4,749,053	17.62%
	<u>\$26,959,629</u>	<u>100.00%</u>



Instruction comprises 54.28% of governmental program expenses. Support services expenses were 30.41% of governmental program expenses. All other expenses were 15.31%.

Other Revenues increased mainly due to the District adding Land Held for Resale for a total of \$1,745,000. Total expenditures increased mainly due to increases in personnel costs and general inflationary factors.

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

**Three Rivers Local School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
(Unaudited)**

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction	\$13,129,560	\$12,693,711	(\$11,870,669)	(\$11,450,981)
Support Services:				
Pupil and Instructional Staff	1,940,490	1,761,437	(1,938,734)	(1,726,181)
School Administrative, General				
Administration, Fiscal and Business	2,351,990	2,160,040	(2,298,856)	(2,129,073)
Operations and Maintenance	1,384,174	1,437,744	(1,342,716)	(1,419,051)
Pupil Transportation	1,550,469	1,421,946	(1,464,592)	(1,338,067)
Central	127,706	601,319	(120,506)	(594,077)
Operation of Non-Instructional Services	961,932	943,735	(175,779)	(127,035)
Extracurricular Activities	589,563	594,818	(431,428)	(423,794)
Interest and Fiscal Charges	2,152,735	2,134,323	(2,152,735)	(2,134,323)
Total Expenses	\$24,188,619	\$23,749,073	(\$21,796,015)	(\$21,342,582)

**The District's Funds**

The District has four major governmental funds: the General Fund, the Debt Service Fund, the Building Fund and the Classroom Facilities Construction Fund. Assets of these funds comprise \$39,043,364 (91%) of the total \$43,017,497 governmental funds' assets.

**General Fund:** Fund balance at June 30, 2013 was \$12,387,664, an increase of \$671,900 from 2012. The primary reason for the increase in fund balance was due to an increase in taxes revenue.

**Debt Service Fund:** Fund balance at June 30, 2013 was \$1,804,238, an increase of \$239,079 from 2012. The primary reason for the increase in fund balance was due to an increase in taxes revenue.

**Building Fund:** Fund balance at June 30, 2013 was \$4,414,693, a decrease of \$1,701,576 from 2012. The primary reason for the decrease in fund balance was due to the District continuing to make capital outlay payments for the building construction project.

**Classroom Facilities Construction Fund:** Fund balance at June 30, 2013 was \$3,589,832, a decrease of \$33,101,006 from 2012. The primary reason for the decrease in fund balance was due to the District continuing to make capital outlay payments for the building construction project.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2013, the District amended its general fund budget when needed. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the budget in an attempt to deal with changes in revenues and expenditures.

**Three Rivers Local School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
(Unaudited)**

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For the General Fund, the final budgeted revenue was \$19,851,933 and the original budgeted revenue was \$18,423,865. The difference was \$1,428,069. Of this difference, most was due to a conservative estimate of taxes revenue and intergovernmental revenue.

The District's ending unobligated actual fund balance for the General fund was \$9,112,973.

**Capital Assets and Debt Administration**

***Capital Assets***

At fiscal year end, the District had \$69,088,734 invested in land, construction in progress, buildings and improvements, transportation, and equipment and fixtures. Table 4 shows fiscal year 2013 balances compared to fiscal year 2012:

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

	Governmental Activities	
	2013	2012
Land	\$4,084,391	\$4,362,901
Construction in Progress	52,090,934	16,141,363
Buildings and Improvements	1,540,208	1,716,924
Transportation	261,732	309,168
Equipment and Fixtures	347,558	400,274
Total Net Capital Assets	<u>\$58,324,823</u>	<u>\$22,930,630</u>

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

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

***Debt***

At June 30, 2013, the District had \$39,103,026 in bonds outstanding, \$880,000 due within one year. Table 5 summarizes debt outstanding.

**Three Rivers Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2013**  
(Unaudited)

**Table 5**  
**Outstanding Debt, at Year End**

	Governmental Activities	
	2013	2012
Bonds:		
2010 School Improvement Build America Bonds	\$21,890,000	\$21,890,000
Discount on Build America Bonds	(162,104)	(166,837)
2010 School Improvement Qualified School Construction Bonds	11,260,000	11,260,000
Discount on Qualified School Construction Bonds	(75,508)	(80,807)
2010 School Improvement Tax Exempt Bonds		
Current Interest	1,605,000	2,345,000
Capital Appreciation	1,110,000	1,110,000
Accretion of Interest	251,747	151,479
Premium on Bonds	750,784	789,786
2011 Certification of Participation Bonds		
Current Interest	2,310,000	2,310,000
Capital Appreciation	90,000	90,000
Accretion of Interest	17,788	6,710
Premium on Bonds	55,319	58,723
Total Bonds	<u>\$39,103,026</u>	<u>\$39,764,054</u>

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

**For the Future**

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

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

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

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

**Three Rivers Local School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
(Unaudited)**

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The District completed the construction of a new PK-12 school facility with the assistance of the Ohio School Facilities Commission (OSFC). The new facility replaces four school facilities. Three of the school facilities were sold or razed and the fourth was converted into a central office facility. It is not clear the full impact financially on the operations of the District the change to one facility will bring. The District is currently working to detail that impact and incorporate it into planning for 2014.

The District does well academically. In the past the District has been rated "Excellent with Distinction". Currently the State provides no overall rating and the three components that were included for the 2013 report card were graded A through F. Three Rivers received two As - Progress and Graduation Rate and one B - Achievement.

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

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer at Three Rivers Local School District, 401 N. Miami Ave., Cleves, Ohio 45002.

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Three Rivers Local School District, Ohio  
Statement of Net Position  
June 30, 2013

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$23,144,092
Restricted Cash and Investments	866,206
Receivables:	
Taxes	12,915,570
Accounts	59,965
Interest	13,670
Intergovernmental	4,272,994
Land Held for Resale	1,745,000
Deferred Bond Issuance Costs	359,752
Nondepreciable Capital Assets	56,175,325
Depreciable Capital Assets, Net	<u>2,149,498</u>
 Total Assets	 <u>101,702,072</u>
Liabilities:	
Accounts Payable	51,472
Accrued Wages and Benefits	1,990,501
Contracts Payable	1,907,639
Retainage Payable	866,206
Accrued Interest Payable	165,176
Unearned Revenue	9,777,756
Long-Term Liabilities:	
Due Within One Year	1,314,891
Due In More Than One Year	<u>39,815,415</u>
 Total Liabilities	 <u>55,889,056</u>
Net Position:	
Net Investment in Capital Assets	25,655,634
Restricted for:	
Classroom Maintenance	547,343
Food Service	230,060
Federal Grants	26,929
Debt Service	1,708,039
Capital Projects	5,329,549
Other Purposes	170,888
Unrestricted	<u>12,144,574</u>
 Total Net Position	 <u><u>\$45,813,016</u></u>

See accompanying notes to the Basic Financial Statements.

Three Rivers Local School District, Ohio  
Statement of Activities  
For the Fiscal Year Ended June 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$9,122,948	\$492,685	\$146,463	(\$8,483,800)
Special	3,473,173	0	604,484	(2,868,689)
Vocational	3,735	97	3,293	(345)
Other	529,704	0	11,869	(517,835)
<b>Support Services:</b>				
Pupil	1,249,545	0	439	(1,249,106)
Instructional Staff	690,945	0	1,317	(689,628)
General Administration	49,047	0	0	(49,047)
School Administration	1,675,136	0	0	(1,675,136)
Fiscal	627,807	6,361	46,773	(574,673)
Operations and Maintenance	1,384,174	41,458	0	(1,342,716)
Pupil Transportation	1,550,469	45,170	40,707	(1,464,592)
Central	127,706	0	7,200	(120,506)
Operation of Non-Instructional Services	961,932	307,921	478,232	(175,779)
Extracurricular Activities	589,563	158,135	0	(431,428)
Interest and Fiscal Charges	2,152,735	0	0	(2,152,735)
<b>Total Governmental Activities</b>	<b>\$24,188,619</b>	<b>\$1,051,827</b>	<b>\$1,340,777</b>	<b>(21,796,015)</b>

**General Revenues:**

Property Taxes Levied for:

General Purposes	10,977,532
Special Revenue Purposes	73,511
Debt Service Purposes	1,575,832
Grants and Entitlements not Restricted to Specific Program	7,166,918
Revenue in Lieu of Taxes	2,476,254
Unrestricted Contributions	221,756
Investment Earnings	24,179
Other Revenues	2,051,043

**Total General Revenues** 24,567,025

Change in Net Position 2,771,010

Net Position Beginning of Year 43,042,006

Net Position End of Year \$45,813,016

See accompanying notes to the Basic Financial Statements.

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Three Rivers Local School District, Ohio  
Balance Sheet  
Governmental Funds  
June 30, 2013

	General	Debt Service	Building	Classroom Facility Construction	Other Governmental Funds
<b>Assets:</b>					
Equity in Pooled Cash and Investments	\$10,057,120	\$1,224,238	\$4,885,570	\$4,993,053	\$1,984,111
Restricted Cash and Investments	0	0	141,965	724,241	0
<b>Receivables:</b>					
Taxes	11,247,824	1,499,577	0	0	168,169
Accounts	53,102	0	0	0	6,863
Interest	9,613	0	1,300	2,757	0
Intergovernmental	2,219,960	238,718	0	1,744,326	69,990
Land Held for Resale	0	0	0	0	1,745,000
<b>Total Assets</b>	<b>23,587,619</b>	<b>2,962,533</b>	<b>5,028,835</b>	<b>7,464,377</b>	<b>3,974,133</b>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts Payable	47,249	0	777	1,618	1,828
Accrued Wages and Benefits	1,811,652	0	0	0	178,849
Compensated Absences	236,492	0	0	0	0
Contracts Payable	33,436	0	470,775	1,403,428	0
Retainage Payable	0	0	141,965	724,241	0
Deferred Revenue	9,071,126	1,158,295	625	1,745,258	103,169
<b>Total Liabilities</b>	<b>11,199,955</b>	<b>1,158,295</b>	<b>614,142</b>	<b>3,874,545</b>	<b>283,846</b>
<b>Fund Balances:</b>					
Nonspendable	0	0	0	0	1,745,000
Restricted	0	1,804,238	4,414,693	3,589,832	967,505
Committed	0	0	0	0	987,904
Assigned	2,226,875	0	0	0	0
Unassigned	10,160,789	0	0	0	(10,122)
<b>Total Fund Balances</b>	<b>12,387,664</b>	<b>1,804,238</b>	<b>4,414,693</b>	<b>3,589,832</b>	<b>3,690,287</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$23,587,619</b>	<b>\$2,962,533</b>	<b>\$5,028,835</b>	<b>\$7,464,377</b>	<b>\$3,974,133</b>

See accompanying notes to the Basic Financial Statements.

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Total  
Governmental  
Funds

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\$23,144,092  
866,206

12,915,570  
59,965  
13,670  
4,272,994  

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1,745,000

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43,017,497

51,472  
1,990,501  
236,492  
1,907,639  
866,206  

---

12,078,473

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17,130,783

1,745,000  
10,776,268  
987,904  
2,226,875  

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10,150,667

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25,886,714

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\$43,017,497

Three Rivers Local School District, Ohio  
 Reconciliation of Total Governmental Fund Balance to  
 Net Position of Governmental Activities  
 June 30, 2013

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Total Governmental Fund Balance		\$25,886,714
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		58,324,823
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	\$547,815	
Interest	8,576	
Intergovernmental	<u>1,744,326</u>	
		2,300,717
In the statement of net position interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(165,176)
Some liabilities reported in the statement of net position do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		(1,790,788)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		359,752
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(39,103,026)</u>
Net Position of Governmental Activities		<u>\$45,813,016</u>

See accompanying notes to the Basic Financial Statements.

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Three Rivers Local School District, Ohio  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2013

	General	Debt Service	Building	Classroom Facility Construction
Revenues:				
Taxes	\$11,319,853	\$1,518,543	\$0	\$0
Revenue in lieu of taxes	2,200,090	276,164	0	0
Tuition and Fees	498,422	0	0	0
Investment Earnings	6,783	284	15,090	50,036
Intergovernmental	6,135,557	1,170,585	0	1,181,678
Extracurricular Activities	15,191	0	0	0
Charges for Services	52,504	0	0	0
Other Revenues	260,355	16,748	0	0
<b>Total Revenues</b>	<b>20,488,755</b>	<b>2,982,324</b>	<b>15,090</b>	<b>1,231,714</b>
Expenditures:				
Current:				
Instruction:				
Regular	8,539,300	0	0	0
Special	3,048,142	0	0	0
Vocational	0	0	0	0
Other	517,676	0	0	0
Support Services:				
Pupil	1,243,558	0	0	0
Instructional Staff	680,803	0	0	0
General Administration	49,047	0	0	0
School Administration	1,667,566	0	0	0
Fiscal	572,878	27,466	0	0
Operations and Maintenance	1,302,924	0	0	0
Pupil Transportation	1,432,190	0	0	0
Central	104,718	0	0	3,500
Operation of Non-Instructional Services	143,264	0	0	0
Extracurricular Activities	386,970	0	0	0
Capital Outlay	33,436	0	1,956,666	34,089,220
Debt Service:				
Principal Retirement	0	740,000	0	0
Interest and Fiscal Charges	84,383	1,975,779	0	0
<b>Total Expenditures</b>	<b>19,806,855</b>	<b>2,743,245</b>	<b>1,956,666</b>	<b>34,092,720</b>
Excess of Revenues Over (Under) Expenditures	681,900	239,079	(1,941,576)	(32,861,006)
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	0	0	0	0
Transfers In	0	0	240,000	0
Transfers (Out)	(10,000)	0	0	(240,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(10,000)</b>	<b>0</b>	<b>240,000</b>	<b>(240,000)</b>
Net Change in Fund Balance	671,900	239,079	(1,701,576)	(33,101,006)
Fund Balance Beginning of Year	11,715,764	1,565,159	6,116,269	36,690,838
Fund Balance End of Year	\$12,387,664	\$1,804,238	\$4,414,693	\$3,589,832

See accompanying notes to the Basic Financial Statements.



Other Governmental Funds	Total Governmental Funds
\$170,285	\$13,008,681
0	2,476,254
0	498,422
221	72,414
1,262,825	9,750,645
203,305	218,496
299,091	351,595
1,979,010	2,256,113
<u>3,914,737</u>	<u>28,632,620</u>
167,438	8,706,738
510,090	3,558,232
3,735	3,735
10,817	528,493
400	1,243,958
1,200	682,003
0	49,047
0	1,667,566
34,256	634,600
0	1,302,924
50,660	1,482,850
12,369	120,587
796,582	939,846
170,979	557,949
97,385	36,176,707
0	740,000
0	2,060,162
<u>1,855,911</u>	<u>60,455,397</u>
<u>2,058,826</u>	<u>(31,822,777)</u>
39,234	39,234
13,327	253,327
(3,327)	(253,327)
<u>49,234</u>	<u>39,234</u>
2,108,060	(31,783,543)
<u>1,582,227</u>	<u>57,670,257</u>
<u>\$3,690,287</u>	<u>\$25,886,714</u>

Three Rivers Local School District, Ohio  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2013

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Net Change in Fund Balance - Total Governmental Funds (\$31,783,543)

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

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

Capital assets used in governmental activities	\$36,115,317	
Depreciation Expense	<u>(312,227)</u>	
		35,803,090

Governmental funds only report the disposal of assets to the  
 extent proceeds are received from the sale. In the statement  
 of activities, a gain or loss is reported for each disposal. The  
 amount of the proceeds must be removed and the gain or loss  
 on the disposal of capital assets must be recognized. This is the  
 amount of the difference between the proceeds and the gain or loss. (408,897)

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

Delinquent Property Taxes	(\$381,806)	
Interest	(48,235)	
Intergovernmental	<u>(1,242,950)</u>	
		(1,672,991)

Repayment of bond principal is an expenditure in the  
 governmental funds, but the repayment reduces long-term  
 liabilities in the statement of net position. 740,000

In the statement of activities interest expense is accrued when incurred,  
 whereas in governmental funds an interest expenditure is reported  
 when due. 1,378

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

Compensated Absences	\$185,924	
Amortization of Bond Issuance Cost	(14,979)	
Amortization of Bond Premium	42,406	
Amortization of Bond Discount	(10,032)	
Bond Accretion	<u>(111,346)</u>	
		<u>91,973</u>

Change in Net Position of Governmental Activities \$2,771,010

See accompanying notes to the Basic Financial Statements.

Three Rivers Local School District, Ohio  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2013

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	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	<u>\$73,853</u>	<u>\$76,375</u>
Total Assets	<u>73,853</u>	<u>76,375</u>
Liabilities:		
Other Liabilities	<u>0</u>	<u>76,375</u>
Total Liabilities	<u>0</u>	<u>\$76,375</u>
Net Position:		
Held in Trust	<u>73,853</u>	
Total Net Position	<u>\$73,853</u>	

See accompanying notes to the Basic Financial Statements.

Three Rivers Local School District, Ohio  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2013

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	Private Purpose Trust
Additions:	
Donations	\$11,750
Investment Earnings	15
Total Additions	<u>11,765</u>
Deductions:	
Scholarships	<u>12,938</u>
Total Deductions	<u>12,938</u>
Change in Net Position	(1,173)
Net Position Beginning of Year	<u>75,026</u>
Net Position End of Year	<u><u>\$73,853</u></u>

See accompanying notes to the Basic Financial Statements.

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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**Note 1 – Description of the District**

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The Three Rivers Local School District, Ohio (the "District") was originally chartered by the Ohio State Legislature. In 1853, state laws were enacted to create local Boards of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code. The District operates under a locally elected five-member Board of Education (the Board) and is responsible for the education of the residents of the District. This Board controls the District's instructional and support facilities staffed by 111 non-certificated personnel and 144 certified teaching and administrative personnel to provide services to students and other community members.

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

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

**Reporting Entity**

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

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

**Measurement Focus**

Government-wide Financial Statements

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

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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

Fund Financial Statements

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

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

**Fund Accounting**

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

Governmental Funds

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

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

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for the payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the District is obligated in some manner for the payment.

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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Building Fund – The building fund is used to account for receipts and expenditures related to the acquisition and construction of capital facilities including real property.

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

Fiduciary Funds

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

**Basis of Accounting**

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

Revenues – Exchange and Non-exchange Transactions

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

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

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Unearned Revenue

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

Expenses/Expenditures

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

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

**Equity in Pooled Cash and Investments**

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

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

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2013 credited to the General Fund amounted to \$6,783, \$284 in the Debt Service Fund, \$15,090 in the Building Fund and \$50,036 in the Classroom Facilities Construction Fund and \$221 in Other Governmental Funds.



**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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**Inventory**

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

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

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

**Capital Assets**

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

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

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

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

**Interfund Activity**

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

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

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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

**Compensated Absences**

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

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

**Fund Balance**

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

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

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

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

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

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

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

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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**Restricted Assets**

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

**Net Position**

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the \$8,012,808 in restricted net position, none were restricted by enabling legislation.

**Estimates**

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

**Note 3 – Accountability**

---

The following funds had a deficit in fund balance:

<u>Other Governmental Funds:</u>	<u>Amounts</u>
Title VI-B Pre-School	\$10,122

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

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

---

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

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

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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

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

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

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

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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

**Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District’s policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2013, \$10,779,919 of the District’s bank balance of \$11,792,382 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the District’s name.

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

**Investments**

As of June 30, 2013, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
US Treasury Notes	\$1,447,507	0.23
Federal Home Loan Bank	994,340	2.74
Fannie Mae	225,439	1.66
Federal Farm Credit Bank	1,491,076	2.64
Money Market Funds	<u>8,286,604</u>	0.00
Total Fair Value	<u><u>\$12,444,966</u></u>	
Portfolio Weighted Average Maturity		0.59

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

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

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
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Concentration of Credit Risk – The District’s investment policy allows investments in U.S. Agencies or Instrumentalities. The District has 11.6% invested in US Treasury Notes, 8.0% in Federal Home Loan Bank, 1.8% invested in Fannie Mae, 12.0% invested in Federal Farm Credit Bank and 66.6% invested in Money Market Funds.

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

**Note 5 - Property Taxes**

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

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Hamilton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2014 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2013. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The amount available for advance was \$4,400,000 in the General Fund and \$645,000 in Other Governmental Funds.

The assessed value, by property classification, upon which taxes collected in 2013 were based as follows:

	Amount
Public Utility Personal	\$68,382,920
Real Estate	307,509,570
Total	<u>\$375,892,490</u>

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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**Note 6 – Receivables**

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Receivables at June 30, 2013, consisted of property taxes, accounts interest, and intergovernmental grants. All receivables are considered collectible in full and will be received within one year with the exception of the property taxes and the grant from the Ohio School Facilities Commission. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

**Note 7 – Capital Assets**

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Capital assets activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<b><i>Capital Assets, not being depreciated:</i></b>				
Land	\$4,362,901	\$0	\$278,510	\$4,084,391
Construction in Progress	16,141,363	35,949,571	0	52,090,934
<b><i>Capital Assets, being depreciated:</i></b>				
Buildings and Improvements	9,989,661	84,331	817,004	9,256,988
Transportation	1,899,968	0	12,334	1,887,634
Equipment and Fixtures	<u>1,956,122</u>	<u>81,415</u>	<u>268,750</u>	<u>1,768,787</u>
Totals at Historical Cost	<u>34,350,015</u>	<u>36,115,317</u>	<u>1,376,598</u>	<u>69,088,734</u>
Less Accumulated Depreciation:				
Buildings and Improvements	8,272,737	155,766	711,723	7,716,780
Transportation	1,590,800	47,436	12,334	1,625,900
Equipment and Fixtures	<u>1,555,848</u>	<u>109,025</u>	<u>243,644</u>	<u>1,421,229</u>
Total Accumulated Depreciation	<u>11,419,385</u>	<u>312,227</u>	<u>967,701</u>	<u>10,763,911</u>
Governmental Activities Capital Assets, Net	<u>\$22,930,630</u>	<u>\$35,803,090</u>	<u>\$408,897</u>	<u>\$58,324,823</u>

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$143,567
Special	10,551
Other Instruction	1,211
Support Services:	
Pupil	1,838
Instructional Staff	1,708
School Administration	134
Fiscal	1,011
Operations and Maintenance	16,851
Pupil Transportation	70,717
Central	7,610
Operation of Non-Instructional Services	24,613
Extracurricular Activities	32,416
Total Depreciation Expense	<u>\$312,227</u>

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**Note 8 – Risk Management**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, commercial insurance carriers provided insurance coverage for property, liability, and vehicles. There has been no significant reduction in the coverage in the current fiscal year and settlements have not exceeded insurance coverage in any of the past three fiscal years.

The District also provides life insurance and accidental death and dismemberment coverage to all employees. The amount of coverage per employee varies by bargaining unit. Commercial Life also provides the life insurance coverage for the District. The District pays the State Workers' Compensation System a premium based on a rate per \$1,000 of salaries. This rate is calculated based on accident history and administrative costs.

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**Note 9 - Pension Plans**

**School Employees Retirement System of Ohio**

Plan Description

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



**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2013, 2012, and 2011 were \$566,160, \$494,880, and \$522,504, respectively; 75% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

**State Teachers Retirement System of Ohio**

Plan Description

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

Plan Options

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

DB Plan Benefits

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

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
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calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

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

Combined Plan Benefits

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

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

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

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

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

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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Funding Policy

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2013, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2013, 2012, and 2011 were \$1,294,958, \$1,276,804, and \$1,383,007, respectively; 100% has been contributed for fiscal years 2013, 2012 and 2011.

**Note 10- Post Employment Benefits**

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**School Employees Retirement System of Ohio**

Plan Description

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was 0.74%. District contributions for the years ended June 30, 2013, 2012 and 2011 were \$29,926, \$26,865, and \$28,365, respectively, which equaled the required contributions each year.

Health Care Plan

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

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

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
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The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2013, the health care allocation was 0.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2013, 2012, and 2011 were \$6,470, \$50,548, and \$53,370, respectively; 67% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

### **State Teachers Retirement System of Ohio**

#### Plan Description

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

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

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

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

**Three Rivers Local School District, Ohio**  
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Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2013, 2012 and 2011. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2013, 2012, and 2011 were \$92,497, \$91,200, and \$98,786, 100% has been contributed for fiscal years 2013, 2012 and 2011.

**Note 11 - Long-Term Liabilities**

The changes in the District's long-term obligations during fiscal year 2013 were as follows:

	Rate	Maturity Dates	Beginning Balance	Additions	Deletions	Ending Balance	Due In One Year
<b>Governmental Activities:</b>							
2010 School Improvement Build America Bonds	5.11-6.37%	12/01/47	\$21,890,000	\$0	\$0	\$21,890,000	\$0
Discount on Build America Bonds			(166,837)	0	4,733	(162,104)	0
2010 School Improvement Qualified School Construction Bonds	5.21%	09/15/27	11,260,000	0	0	11,260,000	0
Discount on Qualified School Construction Bonds			(80,807)	0	5,299	(75,508)	0
2010 School Improvement Tax Exempt Current Interest Bonds	2.00-2.75%	12/01/32	2,345,000	0	(740,000)	1,605,000	765,000
2010 School Improvement Tax Exempt Capital Appreciation			1,110,000	0	0	1,110,000	0
2010 School Improvement Tax Exempt Accretion of Interest			151,479	100,268	0	251,747	0
Premium on Tax Exempt Current Interest Bonds			789,786	0	(39,002)	750,784	0
2011 Certificate of Participation Current Interest Bonds	2.00-3.25%	12/01/30	2,310,000	0	0	2,310,000	115,000
2011 Certificate of Participation Capital Appreciation Bonds			90,000	0	0	90,000	0
2011 Certificate of Participation Accretion of Interest			6,710	11,078	0	17,788	0
Premium on Certificate of Participation Current Interest Bonds			58,723	0	(3,404)	55,319	0
<b>Total Bonds</b>			<b>39,764,054</b>	<b>111,346</b>	<b>(772,374)</b>	<b>39,103,026</b>	<b>880,000</b>
Compensated Absences			2,012,436	226,171	(211,327)	2,027,280	434,891
<b>Total Governmental Activities</b>			<b>\$41,776,490</b>	<b>\$337,517</b>	<b>(\$983,701)</b>	<b>\$41,130,306</b>	<b>\$1,314,891</b>

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

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

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

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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

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

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

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

Fiscal Year Ending June 30,	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$880,000	\$2,043,960	\$2,923,960	\$0	\$0	\$0
2015	910,000	2,033,260	2,943,260	0	0	0
2016	980,000	2,029,060	3,009,060	0	0	0
2017	1,000,000	2,024,154	3,024,154	0	0	0
2018	1,015,000	2,018,254	3,033,254	0	0	0
2019-2023	5,270,000	9,952,625	15,222,625	90,000	190,000	280,000
2024-2028	5,765,000	9,230,732	14,995,732	0	0	0
2029-2033	545,000	6,469,617	7,014,617	1,110,000	4,065,000	5,175,000
2034-2038	5,605,000	5,612,883	11,217,883	0	0	0
2039-2043	6,795,000	3,741,191	10,536,191	0	0	0
2044-2048	8,300,000	1,365,631	9,665,631	0	0	0
	<u>\$37,065,000</u>	<u>\$46,521,367</u>	<u>\$83,586,367</u>	<u>\$1,200,000</u>	<u>\$4,255,000</u>	<u>\$5,455,000</u>

**Note 12 - Jointly Governed Organizations**

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*Hamilton/Clermont Cooperative Association*

The Hamilton Clermont County Cooperative Association (HCCA) is a jointly governed organization consisting of thirty-one school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and institutional functions among districts. Each of the Districts supports HCCA and share in a percentage of equity based on the resources provided. HCCA is governed by the board of directors consisting of superintendents of the member school boards. The degree of control exercised by any participating district is limited to its representation on the board. The operating budget of HCCA is funded by state funds and by contributions from each member district based upon a per pupil fee.

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

**Three Rivers Local School District, Ohio**  
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*Great Oaks Institute of Technology and Career Development*

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

**Note 13 – Contingencies**

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**Grants**

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2013, if applicable, cannot be determined at this time.

**Litigation**

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

**Note 14 - Required Set-Asides**

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

For the fiscal year ended June 30, 2013, the District was not required to set aside funds in the budget reserve set-aside.

	<u>Capital Acquisition</u>
Set Aside Reserve Balance as of June 30, 2012	\$0
Current Year Set Aside Requirements	326,680
Qualified Disbursements	(209,730)
Elimination per H.B. 30 of the Ohio 129th General Assembly	<u>(116,950)</u>
Set Aside Reserve Balance as of June 30, 2013	<u><u>\$0</u></u>

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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

**Note 15 - Interfund Transactions**

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Interfund transactions at June 30, 2013, consisted of the following transfers in and transfers out:

	Transfers	
	In	Out
General Fund	\$0	\$10,000
Other Governmental Funds	13,327	3,327
Building Fund	240,000	0
Classroom Facility Construction	0	240,000
Total All Funds	<u>\$253,327</u>	<u>\$253,327</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed. A \$3,327 transfer from the Spring Recognition Fund to the Permanent Improvement Fund was made to record proceeds from fundraisers to help capital campaigns. A \$240,000 transfer from the Classroom Facilities Fund to the Building Fund was made due to the interest on the local share of the construction project not being needed. The transfer was made to fund the building of a soccer stadium.

**Note 16 – Construction and Commitments**

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

The Zimmer Company	\$79,124
SFA Architects	597,578
Neyer Plumbing, Inc.	255,441
Jackson Drilling & Pump Co.	100,172
Tricon, Inc.	2,517,848
Evans Landscaping, Inc.	53,827
Turner Construction Company	130,383
Delta Electrical Contractors	909,262
Hagerman Construction Corp.	206,232
Peck, Hannaford & Briggs	309,129
Dalmatian Fire, Inc.	18,356
Village of Cleves	80,852
Total	<u>\$5,258,204</u>



**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

**Note 17 – Fund Balances**

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

Fund Balances	General	Debt Service	Classroom Facilities	Building	Other Governmental Funds	Total
<b>Nonspendable:</b>						
Inventory	\$0	\$0	\$0	\$0	\$1,745,000	\$1,745,000
<b>Total Nonspendable</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,745,000</b>	<b>1,745,000</b>
<b>Restricted for:</b>						
Spring Recognition	0	0	0	0	31,401	31,401
Classroom Facilities Maintenance	0	0	0	0	539,628	539,628
Extracurricular Student Activities	0	0	0	0	139,487	139,487
Vocational Education	0	0	0	0	1,883	1,883
Title I	0	0	0	0	19,699	19,699
Classroom Size Reduction	0	0	0	0	5,347	5,347
Food Service Operations	0	0	0	0	230,060	230,060
Debt Service Payments	0	1,804,238	0	0	0	1,804,238
Construction Of Buildings	0	0	3,589,832	4,414,693	0	8,004,525
<b>Total Restricted</b>	<b>0</b>	<b>1,804,238</b>	<b>3,589,832</b>	<b>4,414,693</b>	<b>967,505</b>	<b>10,776,268</b>
<b>Committed to:</b>						
Permanent Improvements	0	0	0	0	987,904	987,904
<b>Total Committed</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>987,904</b>	<b>987,904</b>
<b>Assigned to:</b>						
Budgetary Variance	1,515,131				0	1,515,131
Public School Support	186,639				0	186,639
Encumbrances	525,105	0	0	0	0	525,105
<b>Total Assigned</b>	<b>2,226,875</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,226,875</b>
<b>Unassigned (Deficit)</b>	<b>10,160,789</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(10,122)</b>	<b>10,150,667</b>
<b>Total Fund Balance</b>	<b>\$12,387,664</b>	<b>1,804,238</b>	<b>\$3,589,832</b>	<b>\$4,414,693</b>	<b>\$3,690,287</b>	<b>\$25,886,714</b>

**Note 18 – Change in Accounting Principles**

The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements and GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB Statement No. 62 incorporates Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants' (AICPA) accounting and financial reporting guidance issued on or before November 30, 1989 into GASB authoritative literature. GASB Statement No. 63 provides financial reporting guidance for deferred outflows and inflows of resources and net position.

# **REQUIRED SUPPLEMENTARY INFORMATION**

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Three Rivers Local School District, Ohio  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2013

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>Revenues:</b>				
Taxes	\$10,239,463	\$11,033,143	\$11,210,982	\$177,839
Revenue in lieu of taxes	2,009,435	2,165,190	2,200,090	34,900
Tuition and Fees	327,359	352,733	358,419	5,686
Investment Earnings	20,692	22,296	22,655	359
Intergovernmental	5,600,505	6,034,610	6,131,880	97,270
Charges for Services	53,194	57,317	58,241	924
Other Revenues	173,217	186,644	189,652	3,008
<b>Total Revenues</b>	<b>18,423,865</b>	<b>19,851,933</b>	<b>20,171,919</b>	<b>319,986</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	8,637,055	8,578,522	8,235,455	343,067
Special	3,112,912	3,091,816	2,968,170	123,646
Other	536,040	532,408	511,116	21,292
<b>Support Services:</b>				
Pupil	1,305,427	1,296,580	1,244,728	51,852
Instructional Staff	767,268	762,068	731,592	30,476
General Administration	51,439	51,090	49,047	2,043
School Administration	1,727,939	1,716,228	1,647,594	68,634
Fiscal	615,406	611,235	586,791	24,444
Operations and Maintenance	1,564,161	1,553,561	1,491,432	62,129
Pupil Transportation	1,590,540	1,579,761	1,516,584	63,177
Central	112,041	111,281	106,831	4,450
Operation of Non-Instructional Services	46,347	46,033	44,192	1,841
Extracurricular Activities	406,675	403,919	387,766	16,153
Capital Outlay	48,104	47,778	45,867	1,911
<b>Debt Service:</b>				
Interest and Fiscal Charges	88,498	87,898	84,383	3,515
<b>Total Expenditures</b>	<b>20,609,852</b>	<b>20,470,178</b>	<b>19,651,548</b>	<b>818,630</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(2,185,987)</b>	<b>(618,245)</b>	<b>520,371</b>	<b>1,138,616</b>
<b>Other Financing Sources (Uses):</b>				
Transfers (Out)	(71,127)	(70,645)	(67,820)	2,825
<b>Total Other Financing Sources (Uses)</b>	<b>(71,127)</b>	<b>(70,645)</b>	<b>(67,820)</b>	<b>2,825</b>
<b>Net Change in Fund Balance</b>	<b>(2,257,114)</b>	<b>(688,890)</b>	<b>452,551</b>	<b>1,141,441</b>
<b>Fund Balance Beginning of Year (includes prior year encumbrances appropriated)</b>	<b>8,660,422</b>	<b>8,660,422</b>	<b>8,660,422</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$6,403,308</b>	<b>\$7,971,532</b>	<b>\$9,112,973</b>	<b>\$1,141,441</b>

See accompanying notes to the required supplementary information.

**Three Rivers Local School District, Ohio**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2013**

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**Note 1 – Budgetary Process**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2013.

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

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

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

**Three Rivers Local School District, Ohio**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2013**

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$671,900
Revenue Accruals	(316,836)
Expenditure Accruals	629,514
Transfers (Out)	(57,820)
Encumbrances	(468,859)
Funds Budgeted Elsewhere	<u>(5,348)</u>
Budget Basis	<u><u>\$452,551</u></u>

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**Three Rivers Local School District  
Schedule of Receipts and Expenditures of Federal Awards  
Year Ended June 30, 2013**

Federal Grant / Program Title	Pass Through Identifying Number	Federal CFDA Number	Receipts	Expenditures
<b>U.S. Department of Agriculture</b>				
<b>(Passed Through Ohio Department of Education)</b>				
Nutrition Cluster				
School Breakfast	05PU-2013	10.553	\$ 94,117	\$ 94,117
National School Lunch	LLP4-2013	10.555	331,448	331,448
Total U.S. Department of Agriculture			<b>425,565</b>	<b>425,565</b>
<b>U.S. Department of Education</b>				
<b>(Passed Through Ohio Department of Education)</b>				
Special Education Cluster				
Title VI-B	6BSF-2013	84.027	391,796	292,999
ESCE Preschool		84.173	13,800	13,800
Total Special Education Cluster			<b>405,596</b>	<b>306,799</b>
ESEA Title I	C1S1-2013	84.010	332,367	311,152
Improving Teacher Quality		84.367	81,479	82,068
<b>(Passed through Great Oaks Institute of Technology and Career Development)</b>				
Vocational Education Basic Grants to States		84.048	3,950	5,768
Total U.S. Department of Education			<b>823,392</b>	<b>705,787</b>
<b>Total Federal Awards</b>			<b>\$ 1,248,957</b>	<b>\$ 1,131,352</b>

**THREE RIVERS LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - MATCHING REQUIREMENTS**

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





# Dave Yost • Auditor of State

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

Three Rivers Local School District  
Hamilton County  
401 N. Miami Avenue  
Cleves, OH 45002

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Three Rivers Local School District, Hamilton County, Ohio (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 13, 2014.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material of financial misstatement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 13, 2014



# Dave Yost • Auditor of State

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

Three Rivers Local School District  
Hamilton County  
401 N. Miami Avenue  
Cleves, OH 45002

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Three Rivers Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Reading Community City School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Three Rivers Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each its major federal programs for the year ended June 30, 2013.

***Report on Internal Control Over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Government's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 13, 2014

**THREE RIVERS LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

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

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

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Three Rivers Local School District  
Hamilton County  
401 N. Miami Avenue  
Cleves, OH 45002

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Three Rivers Local School has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We reviewed the Board's Policy Manual and noted their anti-harassment policy includes provisions prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 13, 2014

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# Dave Yost • Auditor of State

**THREE RIVERS LOCAL SCHOOL DISTRICT**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 1, 2014**