



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



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**REPORT OF INDEPENDENT ACCOUNTANTS**

Edgewood City School District  
Butler County  
3500 Busenbark Road  
Trenton, Ohio 45067

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Edgewood City School District, Butler County, Ohio (the District), as of and for the fiscal year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

March 27, 2000

**Edgewood City School District**



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EDGEWOOD CITY SCHOOL DISTRICT  
 BUTLER COUNTY, OHIO  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 1999

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	
<b>ASSETS AND OTHER DEBITS</b>									
<b>ASSETS:</b>									
Equity in pooled cash, cash equivalents and investments . . . . .	\$3,307,912	\$148,551	\$1,415,593	\$18,950,813	\$13,117	\$521	\$222,537		\$24,059,044
Receivables (net of allowances of uncollectibles):									
Property taxes - current & delinquent . . . . .	9,129,127		2,051,801						11,180,928
Accounts . . . . .	2,492				211				2,703
Accrued interest . . . . .	12,378			188,699					201,077
Interfund loan receivable . . . . .	31,153								31,153
Due from other governments . . . . .		44,566			27,632				72,198
Materials and supplies inventory . . . . .					11,885				11,885
Restricted assets:									
Equity in pooled cash and cash equivalents . . . . .	247,910								247,910
Property, plant and equipment (net of accumulated depreciation where applicable) . . . . .					86,729			\$16,873,932	16,960,661
<b>OTHER DEBITS:</b>									
Amount available in Debt Service Fund . . . . .								\$1,415,593	1,415,593
Amount to be provided for retirement of General Long-Term Obligations . . . . .								27,399,370	27,399,370
Total assets and other debits . . . . .	<u>\$12,730,972</u>	<u>\$193,117</u>	<u>\$3,467,394</u>	<u>\$19,139,512</u>	<u>\$139,574</u>	<u>\$521</u>	<u>\$222,537</u>	<u>\$16,873,932</u>	<u>\$81,582,522</u>

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

--Continued



**EDGEWOOD CITY SCHOOL DISTRICT**  
**BUTLER COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 1999

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>									
<b>LIABILITIES:</b>									
Accounts payable . . . . .	\$98,740	\$4,234		\$645	\$6,381		\$750		\$110,750
Accrued wages and benefits . . . . .	1,344,498	30,408		54	60,781				1,435,741
Compensated absences payable . . . . .	18,704				26,831			\$850,603	896,138
Pension obligation payable . . . . .	210,174	3,644		1,292	37,306			94,246	346,662
Interfund loan payable . . . . .		16,498			14,655				31,153
Deferred revenue . . . . .	8,429,127		\$2,051,801	184,709	9,439		26,455		10,675,076
Due to students . . . . .									26,455
Due to other governments . . . . .		1,967							1,967
General obligation bonds . . . . .								18,974,743	18,974,743
General obligation refunding bonds . . . . .								8,593,833	8,593,833
Energy conservation notes payable . . . . .								143,518	143,518
Obligation under capital lease . . . . .								158,020	158,020
<b>Total liabilities . . . . .</b>	<b>10,101,243</b>	<b>56,751</b>	<b>2,051,801</b>	<b>186,700</b>	<b>155,393</b>		<b>27,205</b>	<b>28,814,963</b>	<b>41,394,056</b>
<b>EQUITY AND OTHER CREDITS:</b>									
Investment in general fixed assets . . . . .								\$16,873,932	16,873,932
Contributed capital . . . . .					20,495				20,495
Accumulated deficit . . . . .					(36,314)				(36,314)
Retained earnings: unreserved . . . . .						\$521			521
<b>Fund balances:</b>									
Reserved for encumbrances . . . . .	318,608	17,688		1,150,070					1,486,366
Reserved for debt service . . . . .			1,415,593						1,415,593
Reserved for tax revenue unavailable for appropriation . . . . .	700,000								700,000
Reserved for budget stabilization . . . . .	247,910						195,332		247,910
Unreserved-undesignated . . . . .	1,363,211	118,678		17,802,742				16,873,932	19,479,963
<b>Total equity and other credits . . . . .</b>	<b>2,629,729</b>	<b>136,366</b>	<b>1,415,593</b>	<b>18,952,812</b>	<b>(15,819)</b>	<b>521</b>	<b>195,332</b>	<b>16,873,932</b>	<b>40,188,466</b>
<b>Total liabilities, equity and other credits . . . . .</b>	<b>12,730,972</b>	<b>193,117</b>	<b>3,467,394</b>	<b>19,139,512</b>	<b>139,574</b>	<b>521</b>	<b>222,537</b>	<b>16,873,932</b>	<b>81,582,522</b>

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

**EDGEWOOD CITY SCHOOL DISTRICT**  
**BUTLER COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
 FOR THE YEAR ENDED JUNE 30, 1999

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
From local sources:						
Taxes . . . . .	\$7,740,373		\$1,254,415			\$8,994,788
Tuition . . . . .	33,941					33,941
Earnings on investments . . . . .	321,729	\$2,041		\$270,762	\$19,464	613,996
Other local revenues . . . . .	248,129	305,378			7,038	560,545
Intergovernmental - State . . . . .	6,047,989			12,690		6,122,013
Intergovernmental - Federal . . . . .		271,695				271,695
<b>Total revenue. . . . .</b>	<b>14,392,161</b>	<b>640,448</b>	<b>1,254,415</b>	<b>283,452</b>	<b>26,502</b>	<b>16,596,978</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular . . . . .	7,560,293	84,250		67,660		7,712,203
Special . . . . .	1,299,835	189,425				1,489,260
Vocational . . . . .	105					105
Other . . . . .	65,369					65,369
Support services:						
Pupil . . . . .	565,186	13,215				578,401
Instructional staff . . . . .	914,867	96,057		118,400		1,129,324
Board of Education . . . . .	54,643					54,643
Administration . . . . .	1,347,375	155,213		9,764	448	1,512,800
Fiscal . . . . .	270,684		16,831			287,515
Business . . . . .	35,293					35,293
Operations and maintenance . . . . .	1,355,127					1,355,127
Pupil transportation . . . . .	534,347					534,347
Central . . . . .	97,141	13,230				110,371
Community services . . . . .	10,812	1,452			4,145	16,409
Extracurricular activities . . . . .	267,588	92,405				359,993
Facilities services . . . . .				180,155		180,155
Capital outlay . . . . .	200,000		271,239			471,239
Debt service:						
Principal retirement . . . . .	82,669		290,880			373,549
Interest and fiscal charges . . . . .	10,148		417,795	322,731		750,674
<b>Total expenditures . . . . .</b>	<b>14,671,482</b>	<b>645,247</b>	<b>996,745</b>	<b>698,710</b>	<b>4,593</b>	<b>17,016,777</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	(279,321)	(4,799)	257,670	(415,258)	21,909	(419,799)
Other financing sources (uses):						
Operating transfers in . . . . .			44,635	25,000		69,635
Operating transfers out . . . . .	(131,215)					(131,215)
Proceeds of capital lease transaction . . . . .	200,000					200,000
Proceeds of refunding bonds . . . . .			9,702,003			9,702,003
Payment to refunded bond escrow agent . . . . .			(9,430,764)			(9,430,764)
Proceeds of bonds . . . . .				19,060,586		19,060,586
Proceeds from sale of assets . . . . .	9,558					9,558
<b>Total other financing sources (uses) . . . . .</b>	<b>78,343</b>		<b>315,874</b>	<b>19,085,586</b>		<b>19,479,803</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) . . . . .	(200,978)	(4,799)	573,544	18,670,328	21,909	19,060,004
Fund balance, July 1 . . . . .	2,830,707	141,165	842,049	282,484	173,423	4,269,828
Fund balance, June 30 . . . . .	2,629,729	136,366	1,415,593	18,952,812	195,332	23,329,832

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

**EDGEWOOD CITY SCHOOL DISTRICT**  
**BUTLER COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 1999

	General Fund			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>															
From local sources:															
Taxes:	\$7,554,622	\$7,554,622	\$0				\$1,345,165	\$1,345,165	\$0				\$8,899,787	\$8,899,787	\$0
Regular	33,941	33,941											33,941	33,941	
Earnings on investments	312,434	312,434	0	\$2,042	\$2,042	\$0	\$296,472	\$296,472	\$0				610,948	610,948	0
Other local revenues	246,478	246,478	0	305,818	305,818	0							552,296	552,296	0
Intergovernmental - State	6,051,237	6,051,237	0	61,333	61,333	0	12,690	12,690	0				6,125,260	6,125,260	0
Intergovernmental - Federal				229,471	229,471	0							229,471	229,471	0
Total revenues	14,198,712	14,198,712	0	598,664	598,664	0	1,345,165	1,345,165	0	309,162	309,162	0	16,451,703	16,451,703	0
<b>Expenditures</b>															
Current:															
Instruction:															
Regular	7,786,686	7,786,686	0	84,157	84,157	0				79,193	79,193	0	7,950,036	7,950,036	0
Special	1,136,586	1,136,586	0	195,490	195,490	0							1,332,076	1,332,076	0
Vocational	105	105	0										105	105	0
Other	71,367	71,367	0										71,367	71,367	0
Support services:															
Pupil	622,900	622,900	0	13,292	13,292	0							636,192	636,192	0
Instructional staff	935,960	935,960	0	97,211	97,211	0				186,157	186,157	0	1,219,328	1,219,328	0
Board of Education	50,806	50,806	0										50,806	50,806	0
Administration	1,410,551	1,410,551	0	159,833	159,833	0				7,774	7,774	0	1,578,158	1,578,158	0
Fiscal	304,176	304,176	0										321,007	321,007	0
Business	30,376	30,376	0				16,631	16,631	0				30,376	30,376	0
Operations and maintenance	1,465,410	1,465,410	0										1,465,410	1,465,410	0
Transportation	605,493	605,493	0										605,493	605,493	0
Central	96,439	96,439	0	13,230	13,230	0							109,669	109,669	0
Community services	10,912	10,912	0	2,000	2,000	0							12,912	12,912	0
Extracurricular activities	262,895	262,895	0	101,988	101,988	0				1,250,934	1,250,934	0	364,793	364,793	0
Facilities services	52,150	52,150	0										1,303,084	1,303,084	0
Debt service:															
Principal retirement	35,880	35,880	0				354,115	354,115	0	18,974,686	18,974,686	0	19,364,681	19,364,681	0
Interest and fiscal charges	8,755	8,755	0				309,925	309,925	0	322,731	322,731	0	641,411	641,411	0
Total expenditures	14,849,987	14,849,987	0	667,201	667,201	0	688,871	688,871	0	20,821,475	20,821,475	0	37,019,534	37,019,534	0
Excess (deficiency) of revenues over (under) expenditures:	(651,275)	(651,275)	0	(68,537)	(68,537)	0	664,294	664,294	0	(20,512,313)	(20,512,313)	0	(20,567,831)	(20,567,831)	0
Other financing sources (uses):															
Refund of prior year's expenditures	1,639	1,639	0	605	605	0							1,639	1,639	0
Operating transfers in	(86,580)	(86,580)	0	(605)	(605)	0				25,000	25,000	0	25,605	25,605	0
Operating transfers (out)	22,142	22,142	0	16,499	16,499	0							(87,185)	(87,185)	0
Advances in	(31,153)	(31,153)	0	(7,675)	(7,675)	0							38,641	38,641	0
Advances (out)										19,060,585	19,060,585	0	(38,828)	(38,828)	0
Proceeds of sale of bonds										18,974,686	18,974,686	0	19,060,585	19,060,585	0
Proceeds of sale of fixed assets	9,558	9,558	0										18,974,686	18,974,686	0
Total other financing sources (uses)	(84,394)	(84,394)	0	8,824	8,824	0				38,860,271	38,860,271	0	37,984,701	37,984,701	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(735,669)	(735,669)	0	(59,713)	(59,713)	0	664,294	664,294	0	17,447,958	17,447,958	0	17,416,870	17,416,870	0
Fund balance, July 1	3,491,589	3,491,589	0	163,952	163,952	0	751,299	751,299	0	282,484	282,484	0	4,689,324	4,689,324	0
Prior year encumbrances appropriated	429,878	429,878	0	24,524	24,524	0							454,402	454,402	0
Fund balance, June 30	\$3,185,798	\$3,185,798	\$0	\$128,763	\$128,763	\$0	\$1,415,593	\$1,415,593	\$0	\$17,830,442	\$17,830,442	\$0	\$22,569,596	\$22,569,596	\$0

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

**EDGEWOOD CITY SCHOOL DISTRICT**  
**BUTLER COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN (ACCUMULATED DEFICIT)/RETAINED EARNINGS  
 ALL PROPRIETARY FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 1999

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Operating revenues:			
Tuition and fees. . . . .	\$95,526		\$95,526
Sales/charges for services. . . . .	661,431	\$11,713	673,144
Total operating revenues . . . . .	756,957	11,713	768,670
Operating expenses:			
Personal services . . . . .	434,911		434,911
Contract services . . . . .	4,301		4,301
Materials and supplies. . . . .	535,289		535,289
Depreciation. . . . .	12,783		12,783
Other. . . . .		11,192	11,192
Total operating expenses. . . . .	987,284	11,192	998,476
Operating income (loss) . . . . .	(230,327)	521	(229,806)
Nonoperating revenues:			
Operating grants. . . . .	170,549		170,549
Federal commodities . . . . .	58,250		58,250
Total nonoperating revenues. . . . .	228,799		228,799
Net income before operating transfers. . . . .	(1,528)	521	(1,007)
Operating transfers in . . . . .	61,580		61,580
Net income. . . . .	60,052	521	60,573
(Accumulated deficit)/Retained Earnings, July 1 . . . . .	(96,366)	0	(96,366)
(Accumulated deficit)/Retained Earnings			
Retained earnings, June 30 . . . . .	(36,314)	521	(35,793)

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

**EDGEWOOD CITY SCHOOL DISTRICT**  
**BUTLER COUNTY, OHIO**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Cash flows from operating activities:			
Cash received from tuition and fees . . . . .	\$95,715		\$95,715
Cash received from sales/service charges . . . . .	661,220	\$11,713	672,933
Cash payments for personal services. . . . .	(454,974)		(454,974)
Cash payments for contract services . . . . .	(4,301)		(4,301)
Cash payments supplies and materials . . . . .	(489,299)		(489,299)
Cash payments for other expenses . . . . .		(11,192)	(11,192)
Net cash provided by (used in) operating activities . . . . .	(191,639)	521	(191,118)
Cash flows from noncapital financing activities:			
Cash received from operating grants . . . . .	142,917		142,917
Transfers in from other funds . . . . .	61,580		61,580
Cash received from interfund loans. . . . .	14,655		14,655
Cash payments used in repayment of interfund loans. . . . .	(14,467)		(14,467)
Net cash provided by noncapital financing activities . . . . .	204,685		204,685
Cash flows from capital and related financing activities:			
Acquisition of capital assets. . . . .	(20,558)		(20,558)
Net cash used in capital and related financing activities . . . . .	(20,558)		(20,558)
Net increase (decrease) in cash and cash equivalents . . . . .	(7,512)	521	(6,991)
Cash and cash equivalents at beginning of year. . . . .	20,629		20,629
Cash and cash equivalents at end of year . . . . .	13,117	521	13,638
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss) . . . . .	(230,327)	521	(229,806)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation. . . . .	12,783		12,783
Federal donated commodities. . . . .	58,250		58,250
Changes in assets and liabilities:			
Decrease in supplies inventory . . . . .	4,025		4,025
Increase in accounts receivable. . . . .	(22)		(22)
Decrease in accounts payable . . . . .	(14,703)		(14,703)
Increase in accrued wages & benefits . . . . .	10,434		10,434
Decrease in compensated absences payable. . . . .	(15,306)		(15,306)
Decrease in pension obligation payable. . . . .	(15,191)		(15,191)
Decrease in deferred revenue . . . . .	(1,582)		(1,582)
Net cash provided by (used in) operating activities . . . . .	(191,639)	521	(191,118)

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

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Edgewood City School District (the "District") was formed on February 14, 1968 with the consolidation of Trenton City School District and Shiloh Local School District. Today the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five member board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by one-hundred-thirty-three (133) non-certified personnel and one-hundred-ninety-six (196) certified full time teaching and administrative personnel to provide services to approximately 3,065 students and other community members.

The District ranks as the 155<sup>th</sup> largest by enrollment among the 612 districts in the State. It currently operates 3 elementary schools, 1 middle school, and 1 comprehensive high school.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The District's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. The following organizations are described due to their relationship to the District.

***JOINTLY GOVERNED ORGANIZATIONS:***

*Southwest Ohio Computer Association (SWOCA)*

SWOCA is a jointly governed organization among a three county consortium of Ohio 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 the administrative and instructional function of the member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge dependent upon the software package utilized.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The governing board of SWOCA is comprised of the superintendent of each of the member districts, plus one representative from the fiscal agent. The degree of control exercised by any participating school district is limited to its representation on the Board.

*D. Russell Lee Career Center*

The vocational school district is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The school accepts non-tuition students from the District as a member school; however, it is considered a separate political subdivision and is not considered to be part of the District.

The District is also part of a group rating plan for worker's compensation insurance, discussed in Note 12.

**B. Fund Accounting**

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

*GOVERNMENTAL FUNDS*

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

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

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

*Debt Service Fund* - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.



**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

*PROPRIETARY FUNDS*

Proprietary Funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's Proprietary Fund Types:

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

Internal Service Funds - The Internal Service Fund is used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis.

*FIDUCIARY FUNDS*

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Expendable Trust and Agency Funds. Expendable Trust funds are accounted for in essentially the same manner as Governmental funds. Agency Funds are presented on a budgetary basis with note disclosure, if applicable, regarding items which, in other fund types, would be subject to accrual.

*ACCOUNT GROUPS*

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

**C. Measurement Focus/Basis of Accounting**

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

All Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 1999, and which are intended to finance fiscal 2000 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1999, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligations principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**D. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 1999 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Butler County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1999.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations during fiscal 1999 were legally enacted by the Board as follows:

	<u>Increase</u>	<u>Decrease</u>
General	\$ 664,842	
Special Revenue	192,345	
Debt Service	122,350	
Capital Projects	20,538,992	
Enterprise	438,519	
Expendable Trust		\$(172,545)
Internal Service		(825)
Agency	<u>12,277</u>	<u>          </u>
<b>TOTAL</b>	<b><u>\$21,969,325</u></b>	<b><u>\$(173,370)</u></b>

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end (not recognized as accounts payable) appear as a reserve to the fund balance on a GAAP basis (Exhibit 1) and as the equivalent of expenditures on a non-GAAP budgetary basis (Exhibit 3) in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Enterprise funds are disclosed in note 13.

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash, Cash Equivalents, and Investments" (both unrestricted and restricted) on the combined balance sheet.

During fiscal 1999, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), certificates of deposit, federal agency securities, money market funds, and mutual funds.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposit and money market funds are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

Calculation of the Net Increase in the Fair Value of Investments - Aggregate Method

Fair value at June 30, 1999	\$ 16,334,190
Add: Proceeds of investments sold fiscal 1999	0
Less: Cost of investments purchased	(16,363,889)
Fair value at June 30, 1998	<u>0</u>
Change in fair value of investments	<u>\$ (29,699)</u>

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Investment earnings are assigned to the General fund and other funds authorized by Ohio statute or other legal provision. Interest revenue credited to the General fund during fiscal 1999 totaled \$321,729, which included \$167,246 assigned from other funds of the District. Interest revenue credited to the Expendable Trust fund during fiscal 1999 totaled \$19,464, which included \$11,842 assigned from other funds of the District.

An analysis of the Treasurer's investment account at year end is provided in Note 4.

**F. Inventory**

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

**G. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District has a policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Asset Account Group. Interest on debt issued to construct general fixed assets is not capitalized in the account group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives (with an estimated 10% salvage value):

<u>Asset</u>	<u>Life (years)</u>
Buildings	25-50
Furniture, Fixtures and Minor Equipment	5-20
Vehicles	4-6

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**H. Intergovernmental Revenues**

In Governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary fund operations are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program  
State Property Tax Relief

Debt Service Fund

State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Teacher Development  
Management Information Systems  
Title VI-B  
Title I  
Title VI  
Drug-Free Schools  
Eisenhower Math and Science  
Pre-school for the Handicapped  
Instructional Materials Subsidy  
School to Work Grant

Non-Reimbursable Grants - (Continued)

Capital Project Funds

School Net - Infrastructure  
Video Distance Learning

Reimbursable Grants

General Fund

School Bus Purchases  
Driver Education

Proprietary

National School Lunch Program  
National School Breakfast Program  
Food Distribution Program

Grants and entitlements amounted to over 37% of the District's operating revenue during the 1999 fiscal year.

**I. Compensated Absences**

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service; or twenty years (20) service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance liability of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and severance liability for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

**J. Long-Term Obligations**

In general, Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, early retirement incentives and special termination benefits that will be paid from Governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due.

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



**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**K. Fund Equity**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, debt service, tax revenue unavailable for appropriation and budget stabilization. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

**L. Discounts, Premiums and Issuance Costs**

When the proceeds from general obligation debt are placed in a Governmental Fund Type, any issuance costs are shown as capital outlay expenditures. Any premium or discount is included in "Other Financing Sources - Proceeds of Bonds" on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund.

**M. Interfund Transactions**

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable". Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

An analysis of the District's interfund transactions for fiscal year 1999 is presented in Note 5.

**N. Statutory Reserves**

The District is required by State law to set-aside certain General fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside cash balance as of June 30, 1998	\$ 0	\$ 0	\$123,223	\$ 123,223
Current year set-aside requirement	249,375	249,375	124,687	623,437
Current year offsets	(41,280)	(18,974,743)	0	(19,016,023)
Qualifying disbursements	<u>(757,933)</u>	<u>(300,213)</u>	<u>0</u>	<u>(1,058,146)</u>
Total	(549,838)	<u>(19,025,581)</u>	<u>247,910</u>	<u>(19,327,509)</u>
Cash balance carried forward to FY 2000	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$247,910</u>	<u>\$ 247,910</u>

A schedule of the restricted assets at June 30, 1999 follows:

Amount restricted for budget stabilization	<u>\$247,910</u>
Total restricted assets	<u>\$247,910</u>

**O. Contributed Capital**

Contributed capital reported in the Enterprise funds represents resources provided from other funds, other governments, or private sources that is not subject to repayment. These assets are recorded at fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. Contributed capital did not change during fiscal year 1999.

**P. Statement of Cash Flows**

In September 1989, the Governmental Accounting Standards Board (GASB) issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented (Exhibit 5) a statement of cash flows for its Proprietary funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Q. Financial Reporting for Proprietary and Similar Fund Types**

The District's financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**R. Restricted Assets**

Restricted assets in the General fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established. See Note 2. N. for statutory reserves.

**S. Memorandum Only - Total Columns**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Deficit Fund Balances/Retained Earnings**

Fund balances/retained earnings at June 30, 1999 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Teacher Development	\$ (2,208)
Title VI-B	(21,396)
Title VI	(2,562)
 <u>Enterprise Funds</u>	
Food Service	(30,211)
Uniform School Supplies	(6,103)

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

These GAAP deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

**B. Statutory Noncompliance**

For the period ended June 30, 1999, the District did not set-aside amounts to be reserved for textbooks, capital improvements and budget stabilization, as required by Ohio Revised Code.

The District had certain expenditures and outstanding encumbrances that exceeded appropriations contrary to Section 5705.41 (B), Ohio Revised Code.

The District failed to obtain amended certificates of estimated resources contrary to Section 5705.36, Ohio Revised Code.

The District's investment policy was not filed with the Auditor of State's Office and the Treasurer did not take the required investment training contrary to Section 135.14 and Section 135.22, Ohio Revised Code, respectively.

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

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

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

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

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.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

*Cash on Hand:* At year end, the District had \$150 in undeposited cash on hand which is included on the Balance Sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents", but is not part of the total deposits reported below.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements:

*Deposits:* At year-end the carrying amount of the District's deposits was \$1,007,620 and the bank balance was \$1,017,964 (both amounts include \$719,326 in non-negotiable certificates of deposit, but are exclusive of payroll clearance accounts). Of the bank balance:

1. \$307,517 was covered by federal deposit insurance.
2. \$710,447 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

*Investments:* The District's investment are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Fair Value
Money Market Funds	\$2,640,319	\$ 2,640,319
Federal Agency Securities	\$13,862,470	13,862,470
U. S. Treasury Notes	2,471,720	2,471,720
Not Subject to Categorization:		
Investment in STAR Ohio		4,201,575
Mutual Funds*		121,757
 Total investments	 \$18,974,509	 \$23,297,841

\* Ohio statute does not permit this type of investment; however, this mutual fund was donated to the District. No public monies are included.

The federal agency securities have maturities of October, 1999 and January, 2000.

The classification of cash and cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled, Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

A reconciliation between the classifications of equity in pooled cash and cash equivalents and investments on the combined balance sheet per GASB Statement No. 9, and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Equity in pooled cash and cash equivalents	Investments
Per GASB Statement No. 9	\$ 24,306,954	
Reclassifications:		
Money Market	(2,640,319)	\$ 2,640,319
STAR Ohio	(4,201,575)	4,201,575
U.S. Treasury Notes	(2,471,720)	2,471,720
Federal Agency Securities	(13,862,470)	13,862,470
Mutual Funds	(121,757)	121,757
Less: Cash on hand	(150)	
 Per GASB Statement No. 3	 \$ 1,008,963	 \$23,297,841

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
(Continued)

**NOTE 5 - INTERFUND TRANSACTIONS**

A. Interfund balances at June 30, 1999, consist of the following individual interfund loans receivable and payable:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund (Payable)</u>
General Fund	\$31,153	
 <u>Special Revenue Funds</u>		
Teacher Development		\$ (2,208)
Title VI-B		(10,286)
Title I		(3,540)
Title VI		(464)
 <u>Enterprise Funds</u>		
Food Service		(4,350)
Uniform School Supplies	_____	<u>(10,305)</u>
 Total, All Funds	 <u>\$31,153</u>	 <u>\$(31,153)</u>

B. The following is a reconciliation of the District's operating transfers for 1999:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		\$(131,215)
Debt Service Funds	\$ 44,635	
 <u>Capital Projects Funds</u>		
Permanent Improvement	25,000	
 <u>Enterprise Funds</u>		
Food Service	24,387	
Uniform School Supplies	<u>37,193</u>	_____
 Total Transfers In/Transfers Out	 <u>\$131,215</u>	 <u>\$(131,215)</u>

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.



**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 6 - PROPERTY TAXES - (Continued)**

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 1998 taxes were collected was \$316,291,175. Agricultural/Residential and public utility real estate represented 46.37% or \$145,656,310 of this total; Commercial & Industrial real estate represented 10.57% or \$33,445,330; public utility tangible 27.66% or \$87,472,070; and general tangible property 15.40% or \$48,717,465. The voted tax rate for general operations for the fiscal year ended June 30, 1999 was \$26.02 per \$1,000.00 of assessed valuation; the voted rate for debt service was \$6.69 per \$1,000.00 of assessed valuation.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

The County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1999, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end. Available tax advances at June 30, 1999 totaled \$700,000 in the General fund.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
(Continued)

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 1999 consisted of taxes, accounts (rent and student fees), accrued interest and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds. A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current & delinquent	\$9,129,127
Interfund loan	31,153
 <u>Special Revenue Funds</u>	
Due from other governments	44,566
 <u>Debt Service Fund</u>	
Taxes - current and delinquent	2,051,801
 <u>Enterprise Funds</u>	
Due from other governments	27,632
 <u>Capital Projects Fund</u>	
Accrued Interest	188,699

**NOTE 8 - FIXED ASSETS**

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

	<u>Balance</u> <u>July 1, 1998</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 1999</u>
Land/				
Improvements	\$ 359,684			\$ 359,684
Buildings	13,028,263			13,028,263
Furniture/				
Equipment	2,079,964	\$369,888	\$(25,061)	2,424,791
Vehicles	873,264			873,264
Construction in				
Progress	_____	<u>187,930</u>	_____	<u>187,930</u>
Total	<u>\$16,341,175</u>	<u>\$557,818</u>	<u>\$(25,061)</u>	<u>\$16,873,932</u>

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 8 - FIXED ASSETS - (Continued)**

A summary of the Proprietary Funds' fixed assets at June 30, 1999 follows:

	<u>Proprietary</u>
Furniture and Equipment	\$ 226,157
Less Accumulated Depreciation	<u>(139,428)</u>
Net Fixed Assets	<u>\$ 86,729</u>

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In prior years, the District has entered into capitalized leases for the acquisition of copiers. In the current year, the District entered into a new capital lease for computer equipment which has been accounted for as a capital outlay expenditure and other financing source in the General fund.

The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement No. 13 of the Financial Accounting Standards Board (FASB), "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Financial Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Fund Types and Expendable Trust Funds. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Asset Account Group in the amount of \$311,949, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 1999 fiscal year totaled \$82,669. This amount is reflected as debt service principal retirement in the General fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 1999.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
(Continued)

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)**

General Long-Term Obligations

<u>June 30</u> <u>Year Ending</u>	<u>Copiers</u>	<u>Computers</u>	<u>Total</u>
2000	\$14,725	\$ 71,952	\$ 86,677
2001	1,728	71,852	73,580
2002	<u>          </u>	<u>5,996</u>	<u>5,996</u>
Total Future Minimum Lease Payments	<u>\$16,453</u>	<u>\$149,800</u>	<u>\$166,253</u>
Less: Amount Representing Interest			<u>(8,233)</u>
Present Value of Future Minimum Lease Payments			<u>\$158,020</u>

**NOTE 10 - NOTES PAYABLE**

During fiscal 1999, the District issued and retired \$18,974,686 in Bond Anticipation Notes. Bond Anticipation Notes are issued in accordance with O.R.C. 133.301. Proceeds may be used for permanent improvements in the District.

The District's note activity, including amounts outstanding, interest rates and the purpose for which the notes were issued is as follows:

	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	Notes <u>Outstanding</u> <u>07/01/98</u>	<u>Issued</u>	<u>Retired</u>	Notes <u>Outstanding</u> <u>6/30/99</u>
Bond Anticipation Notes:							
School Improvement	3.80%	2/5/99	6/30/99	\$ 9,174,686		\$ (9,174,686)	
School Improvement	3.70%	12/1/98	6/30/99	<u>          </u>	<u>9,800,000</u>	<u>(9,800,000)</u>	<u>          </u>
Totals				<u>\$ 0</u>	<u>\$18,974,686</u>	<u>\$(18,974,686)</u>	<u>\$ 0</u>

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. General obligation bonds and Energy Conservation notes are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund. The source of payment is derived from a current 6.69 mill bonded debt levy for the General Obligation bonds and from current operating revenue for the Energy Conservation notes.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Series 1999 Refunding General Obligation Bonds**

On May 27, 1999, the District issued general obligation bonds (Series 1999 Refunding Bonds) to advance refund the callable portion of the Series 1991 School Improvement General Obligation Bonds (aggregate principal \$8,593,833; interest rate 6.85%). The \$9,430,763 issuance proceeds were used to purchase securities which were placed in an irrevocable trust which will provide resources for all future debt service payments on the refunded debt, which will be called for redemption on December 1, 2001, at a cost of 102% of par value, plus accrued interest. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the General Long-Term Obligations Account Group. The advance refunding reduced cash flow required for debt service on general obligation bonds by \$2,296,222 over the next 16 years, and resulted in a net present value savings of \$1,347,260, using an interest rate of 4.9899% from date of delivery.

Included in this issue were \$ 18,974,743 in Series 1999 School Improvement General Obligation Bonds, authorized by voters of the District in the November, 1998 general election. Bond proceeds will be used for major renovations and additions to three of the District's facilities.

The par value of this combined issue is \$27,568,576. The refunding bonds have a stated maturity date of December 1, 2015, while the school improvement bonds have a stated maturity date of December 1, 2025. Interest on the bonds ranges from 3.30% to 5.25%, with an average interest rate, over the life of the entire issue, of 4.98%.

**C. The following is a description of the District's long-term general obligation bonds and notes outstanding as of June 30, 1999:**

<u>Purpose</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 07/01/98</u>	<u>Issued In Fiscal 1999</u>	<u>Retired In Fiscal 1999</u>	<u>Balance 06/30/99</u>
Energy Conservation Note	4.84%	8/28/97	3/1/02	\$ 179,398		\$ (35,880)	\$ 143,518
School Facilities Improvement and Refunding	6.850%	5/15/91	12/20/15	8,850,000		(8,850,000)	
	4.98%	5/27/99	12/1/25		<u>\$27,568,576</u>		<u>27,568,576</u>
				<u>\$ 9,029,398</u>	<u>\$27,568,576</u>	<u>\$(8,885,880)</u>	<u>\$27,712,094</u>

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

D. The following is a summary of the District's future annual debt service requirements to maturity for the energy conservation notes:

Year Ending June 30	Principal On Energy Conservation Notes	Interest On Energy Conservation Notes	Total
2000	\$ 35,879	\$ 6,946	\$ 42,825
2001	35,880	5,210	41,090
2002	35,879	3,473	39,352
2003	<u>35,880</u>	<u>1,737</u>	<u>37,617</u>
Total	<u>\$143,518</u>	<u>\$17,366</u>	<u>\$160,884</u>

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

Fiscal Year Ending June 30,	Principal on Refunding Bonds	Interest on Refunding Bonds	Principal on General Obligation Bonds	Interest on General Obligation Bonds	Total
2000	\$ 495,000	\$ 98,063	\$ 480,000	\$ 496,628	\$ 1,569,691
2001	495,000	321,685	270,000	835,523	1,922,208
2002	515,000	303,370	385,000	825,533	2,028,903
2003	560,000	283,800	430,000	810,903	2,084,703
2004	555,000	261,960	525,000	794,133	2,136,093
2005 - 2009	3,150,000	944,880	3,095,000	3,654,475	10,844,355
2010 - 2014	2,552,746	889,124	2,944,162	4,428,483	10,814,515
2015 - 2019	271,087	783,913	3,170,581	4,141,593	8,367,174
2020 - 2024			5,335,000	1,477,179	6,812,179
2025 - 2026			<u>2,340,000</u>	<u>178,500</u>	<u>2,518,500</u>
Total	<u>\$8,593,833</u>	<u>\$3,886,795</u>	<u>\$18,974,743</u>	<u>\$17,642,950</u>	<u>\$49,098,321</u>

F. During the year ended June 30, 1999, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Groups. Compensated absences will ultimately be paid from the fund from which the employee is paid.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

	<u>Balance</u> <u>July 1, 1998</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 1999</u>
Compensated Absences	\$ 766,835	\$ 167,306	\$ (83,538)	\$ 850,603
Energy Conservation Notes	179,398		(35,880)	143,518
Pension Benefit Obligation	106,154	94,246	(106,154)	94,246
General Obligation Bonds	8,850,000	18,974,743	(8,850,000)	18,974,743
Refunding Bonds		8,593,833		8,593,833
Capital Leases	<u>40,689</u>	<u>200,000</u>	<u>(82,669)</u>	<u>158,020</u>
 TOTAL	 <u>\$9,943,076</u>	 <u>\$28,030,923</u>	 <u>\$28,030,128</u>	 <u>\$28,814,963</u>

G. Legal Debt Margin

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

The effects of these debt limitations at June 30, 1999 are a voted debt margin of \$2,313,223 (including available funds of \$1,415,593) and an unvoted debt margin of \$316,291.

**NOTE 12 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters. During fiscal year 1999, the District purchased commercial coverage for property and general liability insurance, including boilers and machinery with a \$1,000,000 single occurrence limit and a \$1,000 deductible.

Professional liability is protected by the Nationwide Insurance Company with a \$5,000,000 annual aggregate/\$2,000,000 single occurrence limit and a \$1,000 per claim deductible. Vehicles are covered by Nationwide Insurance Company and hold a \$500 deductible for comprehensive and a \$500 deductible for collision. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 12 - RISK MANAGEMENT - (Continued)**

*OSBA WORKER'S COMPENSATION GROUP RATING*

For fiscal year 1999, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains three Enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 1999.

	<u>Food Service</u>	<u>Uniform Supplies</u>	<u>Total</u>
Operating Revenue	\$ 661,220	\$ 95,737	\$ 756,957
Depreciation	12,783		12,783
Operating Loss	(187,323)	(43,004)	(230,327)
Operating Grants	170,549		170,549
Net Income (loss)	65,863	(5,811)	60,052
Property, plant and equipment:			
Additions	20,558		20,558
Net Working Capital	(75,568)	(6,103)	(81,671)
Total Assets	129,058	10,516	139,574
Long-term liabilities payable from fund revenues	20,877		20,877
Total Fund Deficit	(9,716)	(6,103)	(15,819)
Encumbrances Outstanding as of 6/30/99	2,812	10,305	13,117



**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 14 - DEFINED BENEFIT PENSION PLANS**

**A. SCHOOL EMPLOYEES RETIREMENT SYSTEM**

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 1998; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$293,205, \$263,497, and \$242,724, respectively; 56 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$129,726, which represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. STATE TEACHERS RETIREMENT SYSTEM**

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$1,083,848, \$957,930, and \$935,284, respectively; 84 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$178,528, which represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**C. SOCIAL SECURITY SYSTEM**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1998, the board allocated employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. Beginning July 1, 1998, this allocation was increased to 8 percent. For the District, this amount equaled \$619,342 during the 1999 fiscal year. As of July 1, 1998, eligible benefit recipients totaled 91,999. For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)**

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

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, prorated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, equaled \$145,392 during the 1999 fiscal year. The number of participants currently receiving health care benefits is 50,000. For the fiscal year ended June 30, 1998, net health care costs paid by SERS were \$111,900,575.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable in Governmental funds (GAAP basis).
- (d) Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

(e) The District repays short-term note debt from the Debt Service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt Service fund resources used to pay both principal and interest have been reclassified accordingly.

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental funds are as follows:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	Governmental Fund Types			
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>
Budget Basis	\$(735,669)	\$(59,713)	\$664,294	\$ 17,547,958
Net Adjustment for Revenue Accruals	193,449	41,785	(90,750)	(25,710)
Net Adjustment for Expenditure Accruals	(191,519)	2,164	(315,874)	18,972,695
Net Adjustment for Other Sources/Uses	162,737	(8,824)	315,874	(18,974,685)
Adjustment for Encumbrances	<u>370,024</u>	<u>19,789</u>	<u>          </u>	<u>1,150,070</u>
GAAP Basis	<u>\$(200,978)</u>	<u>\$ (4,799)</u>	<u>\$573,544</u>	<u>\$ 18,670,328</u>

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 17 - CONTINGENT LIABILITIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 1999.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**C. School Funding Decision**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$5,169,530 of school foundation support in total support.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of June 30, 1999, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

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**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 1999**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program		10.550	\$0	\$58,250	\$0	\$59,833
National School Breakfast Program	05-PU-99	10.553	21,651	-	21,651	-
National School Lunch Program	04-PU-99	10.555	<u>115,077</u>	<u>-</u>	<u>115,077</u>	<u>-</u>
Total U.S. Department of Agriculture - Nutrition Cluster			136,728	58,250	136,728	59,833
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF-99 6B-SF-98	84.027	35,269	-	45,555 17,828	-
Special Education - Preschool Grant	PG-S1-98	84.173	<u>1,521</u>	<u>-</u>	<u>0</u>	<u>-</u>
Total Special Education Cluster			36,790	-	63,383	-
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-99 C1-S1-98	84.010	145,190	-	148,729	-
			<u>0</u>	<u>-</u>	<u>47,335</u>	<u>-</u>
Total CFDA 84.010			145,190	-	196,064	-
Eisenhower Professional Development	MS-S1-99 MS-S1-98	84.281	10,091	-	0	-
			<u>0</u>	<u>-</u>	<u>3,507</u>	<u>-</u>
Total CFDA 84.164			10,091	-	3,507	-
Goals 2000	G2-S2-99	84.276	10,000	-	0	-
Safe and Drug-Free Schools	DR-S1-99 DR-S1-98	84.186	14,887	-	10,943	-
			<u>0</u>	<u>-</u>	<u>2,092</u>	<u>-</u>
Total Safe and Drug Free Schools Grant			14,887	-	13,035	-
Innovative Educational Strategies	C2-S1-99 C2-S1-98	84.298	10,296	-	10,760	-
			<u>0</u>	<u>-</u>	<u>5,037</u>	<u>-</u>
Total CFDA 84.298			10,296	-	15,797	-
<i>Passed through the Miami University of Ohio</i>						
School to Work Grant	6074-48	17.249	2,917	-	321	-
<i>Passed through Telecommunications Provider</i>						
E-Rate Program		84.XXX	<u>2,952</u>	<u>-</u>	<u>2,952</u>	<u>-</u>
Total Department of Education			<u>233,123</u>	<u>-</u>	<u>295,059</u>	<u>-</u>
<b>Totals</b>			<b><u>\$369,851</u></b>	<b><u>\$58,250</u></b>	<b><u>\$431,787</u></b>	<b><u>\$59,833</u></b>

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 1999**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures is a summary of the activity of the District's federal award programs. The Schedule has been prepared on a cash basis of accounting.

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Edgewood City School District  
Butler County  
3500 Busenbark Road  
Trenton, Ohio 45067

To the Board of Education:

We have audited the financial statements of the Edgewood City School District, Butler County, Ohio (the District), as of and for the fiscal year ended June 30, 1999, and have issued our report thereon dated March 27, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-10409-001 through 1999-10409-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 27, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1999-10409-006 through 1999-10409-008.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 27, 2000.

Edgewood City School District  
Butler County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

**Jim Petro**  
Auditor of State

March 27, 2000



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Edgewood City School District  
Butler County  
3500 Busenbark Road  
Trenton, Ohio 45067

To the Board of Education:

### **Compliance**

We have audited the compliance of the Edgewood City School District, Butler County, Ohio (the District), with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 1999. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the District in a separate letter dated March 27, 2000.

### **Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Edgewood City School District  
Butler County  
Report of Independent Accountants on Compliance with Requirements  
Applicable to the Major Program and Internal Control over  
Compliance in Accordance with OMB Circular A-133  
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

March 27, 2000

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**JUNE 30, 1999**

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

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

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

**FINDING NUMBER 1999-10409-001**

**Material Noncompliance - Amended Certificates of Estimated Resources**

Ohio Rev. Code, Section 5705.36, allows subdivisions to request amended certificates of estimates resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. It further stipulates that an increased amended certificate must be obtain from the budget commission if the legislative authority intends to appropriate and expend the excess revenue.

Interim budgetary testing showed that the District failed to request an amended certificate of estimated resources when needed. As of May 31, 1999 the District had appropriations in excess of total estimated resources of \$14,226,776. This was due to the issuance of debt for renovation and new construction in the Permanent Improvement Fund, Capital Project Fund Type. The District increased appropriations without a corresponding increase in their estimated resources. As of June 30, 1999 the District had amended their certificate of estimated resources.

When appropriations exceed estimated resources the District is in a position to spend funds it does not have.

We recommend the District properly amend its certificates of estimated resources as conditions warrant.

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 1999-10409-002**

**Material Noncompliance - Appropriations**

Ohio Rev. Code, Section 5705.41(B), provides that no subdivision or taxing unit is to expend money unless it has been appropriated.

Interim budgetary testing determined that actual expenditures plus encumbrances exceeded appropriations at the legal level of control as adopted by the Board of Education.

As of July 31, 1998 the following legal level of control line item expenditures plus outstanding encumbrances exceeded appropriations:

General Fund, line item, "regular instruction supplies and materials" (279%); General Fund, line item, "regular instruction capital outlay" (239%); General Fund, line item, "operation and maintenance of plant-purchased services" (151%); and the Food Service Fund (Enterprise Fund Type), line item "supplies and materials" (207%).

As of May 31, 1999 the Permanent Improvement Fund (Capital Projects Fund Type) line item, "architecture & engineering purchased services" expenditures plus outstanding encumbrances totaled \$1,250,934 and there were no corresponding appropriations.

This could result in the District spending more funds than it has. It indicates the Treasurer and Purchasing Officer were certifying purchase orders improperly.

We recommend the District Treasurer, Superintendent and Board monitor expenditures and outstanding encumbrances so that they do not exceed appropriations.

**FINDING NUMBER 1999-10409-003**

**Material Noncompliance - Budgetary Reserves**

Ohio Rev. Code, §§ 3315.17 and .171 (textbooks); 3315.18 and .181 (capital); Ohio Admin Code §§ 3301-92-01 (textbooks) -02 (capital), and 117-2-23 (phase-in of "deposit" requirements), Ohio Rev. Code § 5705.29 (H) (budget stabilization); Ohio Admin. Code §§ 3301-92-03 and 117-2-24 require the establishment and continued funding of reserves as follows: textbooks and instructional materials; capital (acquisition) and maintenance; and budget stabilization.

The District did not establish and calculate reserves for the textbook and instructional materials or for the capital improvements and maintenance. The budget reserve was established in fiscal year 1998 by setting aside the workers compensation refund. However, no calculations or additions to this reserve were done in the current fiscal year.

The financial statements have been adjusted to reflect the reserves.

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 1999-10409-004**

**Material Noncompliance - Investment Policy**

Ohio Rev. Code, Section 135.14, stipulates: Investment or deposits under Section 135.14 cannot be made unless a written investment policy approved by the treasurer or governing board is on file with the Auditor of State, with the following two exceptions: If a written investment policy is not filed with the Auditor of State, the treasurer or governing board is permitted to invest only in interim deposits or STAROhio and A subdivision whose average annual portfolio of investments is \$100,000 or less is not required to file an investment policy, provided that the treasurer or governing board certifies to the Auditor of State that the treasurer or governing board will comply and is in compliance with the provisions of Section 135.01 to 135.21.

As of June 30, 1999 the District had \$19,004,208 worth of investments in U.S. Treasury Notes and Government Bonds and did not have an investment policy on file with the Auditor of State as required. It is noted the Board approved an investment policy on February 22, 1999 and it was signed by the participating institution.

We recommend the District file its investment policy with the Auditor of State as required.

**FINDING NUMBER 1999-10409-005**

**Material Noncompliance - Investment Training**

Ohio Rev. Code, Section 135.22, provides, effective January 1, 1997, subdivision treasurers must complete annual continuing education programs provided by the Treasurer of State. The Treasurer of State issues a certificate indicating that the treasurer has successfully completed the continuing education program. The continuing education requirement does not apply to a subdivision treasurer who annually provides a notice of exemption to the Auditor of State, certified by the Treasurer of State, that the treasurer is not subject to the continuing education requirements because the treasurer invests or deposits public funds in the following investments only:(1) Interim deposits pursuant to § 135.14 (B)(3) and (2) STAROhio pursuant to § 135.14(B)(6).

As of June 30, 1999 the District had \$19,004,208 worth of investments in U.S. Treasury Notes and Government Bonds. The District could not provide documentation the former Treasurer attended such training.

We recommend the new Treasurer attend this training as soon as possible.

**FINDING NUMBER 1999-10409-006**

**Internal Control Reportable Condition - Supporting Documentation**

The District's receipts included two entries in the general fund which had no supporting documentation. One was for interest on the District's Putnam fund for \$1,344. The other was posted under miscellaneous revenue with the notation "receipts not posted" and was for \$11,871.

The posting of receipts without supporting documentation can result in overstatement of revenue.

If the Treasurer has errors in the reconciliation, then further work should be performed to find the errors. Posting the difference to facilitate reconciling circumvents and complicates the reconciliation process.

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**(Continued)**

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

**FINDING NUMBER 1999-10409-006 (Continued)**

We recommend all receipts have proper supporting documentation.

**FINDING NUMBER 1999-10409-007**

**Internal Control Reportable Condition - Posting and Monitoring of Estimated Resources**

The District Treasurer did not post estimated receipts, based on the Official Certificates of Estimated Resources as approved by the Board, to the computerized accounting system. As of June 30, 1999, \$480,052 was posted as estimated revenue, the final Official Certificate of Estimate Resources and actual receipts totaled \$55,618,465.

The District Treasurer, Superintendent and Board did not adequately monitor the District's budgetary process by comparing estimated receipts as approved by the Board to actual receipts posted by the Treasurer.

The proper posting of estimated receipts allows management to compare with actual receipts. This is an effective tool to help management determine if revenue is meeting expectations. This tool allows them to make sound financial decisions.

We recommend the District Treasurer post estimated receipts to the computerized accounting system accurately and promptly. Management should verify that estimated receipts posted to the accounting system agree with the amounts reflected on the Official Certificate of Estimated Resources.

**FINDING NUMBER 1999-10409-008**

**Internal Control Reportable Condition - Posting and Monitoring of Appropriations**

The District's computerized accounting system did not reflect appropriations as adopted by the Board and approved by the County Budget Commission. The May 31, 1999 APPSUM report had current year appropriations totaling \$38,743,208 while the latest appropriation resolution adopted by the Board and approved by the County Budget Commission totaled \$15,918,087 for a difference of \$22,825,121. Most of this was attributable to the Districts Permanent Improvement Fund (Capital Projects Fund Type) for repayment of Bond Anticipation Notes.

Management is not providing adequate monitoring of the District's budgetary process. The District could spend funds it does not have.

The proper posting of appropriations allows management to compare anticipated expenditures with actual expenditures and encumbrances. This is an effective tool to help management determine whether expenditures are within the parameters they have established. This tool also allows them to make sound financial decisions.

We recommend the District Treasurer properly post appropriations as approved by the Board of Education and the County Budget Commission. Management should verify that appropriations on the accounting system agree with the latest appropriations approved by the Board and the County Budget Commission.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

No findings or questioned costs for federal awards.





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OFFICE OF THE AUDITOR

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**EDGEWOOD CITY SCHOOL DISTRICT**

**BUTLER 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 18, 2000**