



**VANDALIA BUTLER CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Vandalia Butler City School District
Montgomery County
306 South Dixie Drive
Vandalia, Ohio 45377-2189

To the Board of Education:

We have audited the accompanying financial statements of the Vandalia Butler City School District, Montgomery, Ohio, (the District) as of and for the years ended June 30, 1999. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-01 requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of Vandalia Butler City School District, Montgomery County, as of June 30, 1999, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 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 financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the management, Board of Education and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than the specified parties.

JIM PETRO
Auditor of State

January 11, 2000

**COMBINED STATEMENT OF CASH, INVESTMENTS, AND FUND
CASH BALANCES- ALL FUND TYPES
AS OF JUNE 30, 1999**

	AMOUNT
Cash	\$2,530,728
Certificates of Deposit	1,189,000
Star Ohio	3,473,032
Federal Home Loan Bank Bonds	1,630,402
Federal Home Loan Mortgage Corp Bonds	518,155
Federal National Mortgage Association Bonds	199,740
United States Treasury Notes	249,385
Federal Home Loan Mortgage Bank	1,950,000
TOTAL CASH AND INVESTMENTS	\$11,740,442

CASH BALANCES- ALL FUND CLASS

<u>GOVERNMENTAL FUNDS:</u>	
General Fund	\$10,157,380
Special Revenue Funds	563,917
Debt Service Funds	502,354
Capital Projects Fund	66,839
Expendable Trust Funds	13,808
<u>PROPRIETARY FUNDS:</u>	
Enterprise Funds	355,501
Internal Service Funds	606
<u>FIDUCIARY FUNDS:</u>	
Trust and Agency	80,037
Total	\$11,740,442

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 1999**

	GOVERNMENTAL FUND TYPES				FIDUCIARY	
	General	Special Revenue	Debt Service	Capital Projects	FUND	Total
					Expendable Trust	(Memorandum Only)
Cash Receipts						
Local Taxes	\$16,319,474	\$0	\$453,595	\$0	\$0	\$16,773,069
Tuition and Fees	19,881	1,170	0	0	0	21,051
Transportation Fees	52,239	0	0	0	0	52,239
Earnings on Investment	635,967	0	0	0	0	635,967
Extracurricular Activities	0	459,135	0	0	0	459,135
Classroom Materials and Fees	0	453	0	0	0	453
Miscellaneous Receipts	198,964	0	0	0	15,987	214,951
Total Local Cash Receipts	17,226,525	460,758	453,595	0	15,987	18,156,865
Unrestricted Grants-in-Aid	5,393,517	25,000	42,670	0	0	5,461,187
Restricted Grants-in-Aid	32,481	267,146	0	104,268	0	403,895
Total State Receipts	5,425,998	292,146	42,670	104,268	0	5,865,082
Unrestricted Grants-in-Aid	0	4,400	0	0	0	4,400
Restricted Grants-in-Aid	0	419,542	0	0	0	419,542
Total Federal Receipts	0	423,942	0	0	0	423,942
Total Cash Receipts	22,652,523	1,176,846	496,265	104,268	15,987	24,445,889
Cash Disbursements						
Instruction:						
Regular	10,534,773	41,284	0	29,129	0	10,605,186
Special	1,466,202	193,427	0	0	0	1,659,629
Vocational	294,335	0	0	0	0	294,335
Adult/Continuing	0	253	0	0	0	253
Other	703,403	0	0	0	0	703,403
Total Regular Instruction	12,998,713	234,964	0	29,129	0	13,262,806
Support Services:						
Pupils	1,046,514	174,079	0	0	2,587	1,223,180
Instructional Staff	635,338	400,633	0	8,300	0	1,044,271
Board of Education	26,965	0	0	0	0	26,965
Administration	1,260,585	0	0	0	0	1,260,585
Fiscal	481,768	0	0	0	0	481,768
Business	163,151	0	5,000	0	0	168,151
Operation and Maintenance	3,419,346	0	0	0	0	3,419,346
Pupil Transportation	843,933	0	0	0	0	843,933
Central	431,540	7,694	0	0	11,344	450,578
Facilities Acquisition & Construction	171,929	0	0	0	0	171,929
Food Services	0	62	0	0	0	62
Total Support Services	8,481,069	582,468	5,000	8,300	13,931	9,090,768
Community Services	0	69,241	0	0	0	69,241
Sports Oriented	0	426,152	0	0	0	426,152
Total Extracurricular Activities	0	495,393	0	0	0	495,393
Debt Service:						
Principal Retirement	0	0	298,906	0	0	298,906
Interest	0	0	239,016	0	0	239,016
Total Debt Service	0	0	537,922	0	0	537,922
Total Cash Disbursements	21,479,782	1,312,825	542,922	37,429	13,931	23,386,889
Excess of Cash Receipts Over/ (Under) Cash Disbursements	1,172,741	(135,979)	(46,657)	66,839	2,056	1,059,000
Other Financing Sources (Uses)						
Other Revenue Sources	484,645	0	0	0	0	484,645
Sale of Assets	8,510	0	0	0	0	8,510
Transfer - In	1,444,476	211,800	0	0	0	1,656,276
Advance - In	65,600	29,425	0	0	0	95,025
Refund of Prior Year Expenditures	5,894	0	0	0	0	5,894
Transfer - out	(211,800)	0	0	(1,444,476)	0	(1,656,276)
Advance - Out	(29,425)	(65,600)	0	0	0	(95,025)
Refund of Prior Year Receipts	0	(3,700)	0	0	0	(3,700)
Total Other Financing Sources	1,767,900	171,925	0	(1,444,476)	0	495,349
Excess of Cash Receipts and Other Sources Over/(Under) Cash Disbursements and Other Financing Uses	2,940,641	35,946	(46,657)	(1,377,637)	2,056	1,554,349
Fund Cash Balance July 1, 1998	7,216,739	527,971	549,011	1,444,476	11,752	9,749,949
Fund Cash Balance June 30, 1999	\$10,157,380	\$563,917	\$502,354	\$66,839	\$13,808	\$11,304,298
Reserve for Encumbrances, June 30, 1999	\$1,986,307	\$142,347	\$0	\$10,540	\$622	2,139,816

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

Note: the fund cash balance at July 1, 1998 contained a statutory reserve balance for budget stabilization in the amount of \$188,579. At June 30, 1999, there is a restricted cash balance in the general fund of \$270,799 in the budget stabilization reserve. See note 14 to these financial statements

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>PROPRIETARY FUND TYPES</u>		<u>FIDUCIARY FUNDS</u>	Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency Funds</u>	
Operating Cash Receipts				
Food Services	\$562,525	\$0	\$0	\$562,525
Classroom Materials & Fees	156,011	0	0	156,011
Extracurricular Activities	0	0	120,316	120,316
Miscellaneous	281,626	0	0	281,626
Total Operating Receipts	<u>1,000,162</u>	<u>0</u>	<u>120,316</u>	<u>1,120,478</u>
Operating Cash Disbursements				
Personal Services	477,099	0	0	477,099
Benefits	131,751	0	0	131,751
Purchased Services	7,253	0	0	7,253
Supplies and Materials	459,344	0	0	459,344
Capital Outlay	8,706	0	0	8,706
Capital Outlay- Replacement	281	0	0	281
Other Objects	1,283	2,168	113,574	117,025
Total Operating Cash Disbursements	<u>1,085,717</u>	<u>2,168</u>	<u>113,574</u>	<u>1,201,459</u>
Operating Income/(Loss)	(85,555)	(2,168)	6,742	(80,981)
Non Operating Cash Receipts				
State Sources	3,322	0	0	3,322
Federal Sources	90,718	0	0	90,718
Total Non Operating Cash Receipts (Disbursements)	<u>94,040</u>	<u>0</u>	<u>0</u>	<u>94,040</u>
Net Excess of Cash Receipts Over (under) Cash Disbursements	8,485	(2,168)	6,742	13,059
Fund Cash Balance July 1, 1998	<u>347,016</u>	<u>2,774</u>	<u>73,295</u>	<u>423,085</u>
Fund Cash Balance June 30, 1999	<u><u>\$355,501</u></u>	<u><u>\$606</u></u>	<u><u>\$80,037</u></u>	<u><u>\$436,144</u></u>
Reserve for Encumbrances, June 30, 1999	\$29,311	\$0	\$14,452	\$43,763

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

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 1999**

<u>FUND TYPES/FUNDS</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>GOVERNMENTAL FUNDS:</u>			
General Fund	\$24,661,648	\$24,661,648	\$0
Special Revenue Funds	1,418,071	1,418,071	0
Debt Service Funds	496,265	496,265	0
Capital Projects Fund	104,268	104,268	0
<u>PROPRIETARY FUNDS:</u>			
Enterprise Funds	1,094,202	1,094,202	0
Internal Service Funds	0	0	0
<u>FIDUCIARY FUNDS:</u>			
Trust and Agency	136,303	136,303	0
Total	<u><u>\$27,910,757</u></u>	<u><u>\$27,910,757</u></u>	<u><u>\$0</u></u>

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

**COMBINED STATEMENT OF DISBURSEMENT AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED JUNE 30, 1999**

<u>FUND TYPES/ FUNDS</u>	PRIOR YEAR CARRYOVER	1999 APPROPRIATIONS	TOTAL	ACTUAL 1999 DISBURSEMENTS	ENCUMBRANCES OUTSTANDING AT 6/30/99	TOTAL	VARIANCE FAVORABLE (UNFAVORABLE)
GOVERNMENTAL FUNDS:							
General Fund	\$2,483,948	\$21,758,661	\$24,242,609	\$21,721,007	\$1,986,307	\$23,707,314	\$535,295
Special Revenue Funds	90,189	1,587,321	1,677,510	1,382,125	142,347	1,524,472	153,038
Debt Service Funds	0	546,500	546,500	542,922	0	542,922	3,578
Capital Projects Fund	0	1,548,743	1,548,743	1,481,905	10,540	1,492,445	56,298
PROPRIETARY FUNDS:							
Enterprise Funds	23,699	1,181,163	1,204,862	1,085,717	29,311	1,115,028	89,834
Internal Service Funds	160	2,008	2,168	2,168	0	2,168	0
FIDUCIARY FUNDS:							
Trust and Agency	17,032	200,290	217,322	127,505	15,074	142,579	74,743
Total	\$2,615,028	\$26,824,686	\$29,439,714	\$26,343,349	\$2,183,579	\$28,526,928	\$912,786

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

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**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Vandalia Butler City School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the District's nine instructional/support facilities staffed by 183 noncertified and 238 certificated full time teaching personnel who provide services to 3,564 students and other community members.

B. Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For Vandalia-Butler City School District, this includes general operations, food service, preschool and student related activities of the District. The following activities are also included within the reporting entity.

Parochial Schools Within the District boundaries, Saint Christopher School is operated through the Cincinnati Catholic Diocese. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the treasurer of the District, as directed by the parochial school. The activity of these State monies by the District is reflected in a special revenue fund for financial reporting purposes.

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

The following entities which perform activities within the District boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

City of Vandalia - The city government of Vandalia is a separate body politic and corporate. A mayor and council are elected independent of any District relationships and administer the provision of traditional city services. Council acts as the taxing and budgeting authority for city services.

Butler Township - The township government is also a separate body politic and corporate. A three member Board of Trustees are elected independent of any District relationships and administer the provision of traditional township services. The Trustees acts as the taxing and budgeting authority for Township services.

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Reporting Entity(Continued)

Parent Teacher Association - The District is not involved in the budgeting or management and is not responsible for any debt and has no influence over the organization.

The District is associated with the Southwestern Ohio Education Purchasing Cooperative the Miami Valley Career Technical Center, and the Southwestern Ohio Instructional Technology Association, which are defined as jointly governed organizations. These organizations are discussed in Note 10 to the financial statements.

C. Basis of Accounting

Although required by Section 117-2-01 of the Ohio Administrative Code to prepare its annual financial report in accordance with generally accepted accounting principles, the District chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

D. Cash and Investments

Certificates of deposit are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

Investments are stated at cost which approximates market value. Investment earnings are allocated as authorized by State statute based upon District policy.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

E. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the District are financed. The following are the District's governmental fund types:

General Fund

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting (Continued)

Governmental Fund Types (continued)

Special Revenue Funds

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

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

Capital Projects Funds

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

Proprietary Fund Types

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

Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Funds

Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

Fiduciary Fund Types

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. The District's fiduciary funds include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

F. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Process (Continued)

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

Estimated Resources

By 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported on the Combined Statement of Receipts -Budget and Actual reflect the amounts in the final amended certificate issued during fiscal year 1999.

Prior to year-end, the District requested an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control.

Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriations or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted. The budget figures which appear on the Combined Statements of Disbursements and Encumbrances Compared with Expenditure Authority represent the final appropriation amounts, including all supplemental appropriations.

Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Process(Continued)

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

G. Cash and Cash Equivalents

To improve cash management, all cash received by the District Treasurer is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through District records. Each fund type's portion of this pool is displayed on the Combined Statement of Cash, Investments and Fund Cash Balances. Investments are stated at cost which approximates market value. Investment earnings are allocated as authorized by State statute based upon District policy.

H. Intergovernmental Receipts

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

The District currently participates in several state and federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- School Bus Purchase
- State Property Tax Relief

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Intergovernmental Receipts (Continued)

Non-Reimbursable Grants

Special Revenue Funds

Title VIB
Title II
Vocational Education
Title I
Title VI
Educational Management Information System
Adult Education

Capital Projects Funds

School Net

Reimbursable Grants

General Fund

Driver Education

Proprietary Funds

National School Breakfast Program
National School Lunch Program
Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 25.7 percent of governmental fund revenue during the 1999 fiscal year.

I. Interfund Transactions

Quasi-external transactions are accounted for as receipts and disbursements. Transactions that constitute reimbursements to a fund for disbursements initially made from it that are properly applicable to another fund are recorded as disbursements in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

J. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

K. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Total Columns on Financial Statements

Total columns on the financial statements are captioned "(Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board 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 or deposit accounts including pass book accounts.

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

Interim monies may be invested in the following obligations:

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;

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 1999
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

During fiscal year 1999, the District's investments were limited to Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Bonds, Federal National Mortgage Association Bonds, United States Treasury Notes, Federal Home Loan Mortgage Bank Notes and STAR Ohio. During the fiscal year, all investments of the District had a maturity of two years or less.

At fiscal year end, the District had \$ 2,575 in undeposited cash on hand which is included on the Combined Statement of Cash, Investment, and Fund Cash Balances- All Funds of the District as Cash.

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

Deposits

At fiscal year end, the carrying amount of the District's deposits was \$3,717,153 and the bank balance was \$4,297,310. \$1,689,000 of the bank balance was covered by federal depository insurance. \$2,608,310 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments

The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal 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 which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 1999
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

The District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 2	Category 3	Carrying Value	Market Value
U.S. Treasury Notes	\$249,385	\$0	\$249,385	\$249,385
Federal Home Loan Bank Bonds	1,630,402	0	1,630,402	1,639,801
Federal Home Loan Mortgage Bank	1,950,000	0	1,950,000	1,950,000
Federal National Mortgage Assoc	199,740	0	199,740	199,740
Federal Home Loan Mortgage Corporation Bonds	0	518,155	518,155	518,155
STAR Ohio	0	0	3,473,032	3,473,032
Totals	<u>\$4,029,527</u>	<u>\$518,155</u>	<u>\$8,020,714</u>	<u>\$8,030,113</u>

3. PROPERTY TAXES

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

Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value. The assessed values upon which the fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$414,420,900	77%	\$428,393,880	78%
Public Utility Personal	26,488,080	5%	24,889,940	5%
Tangible Personal Property	96,789,675	18%	100,331,566	17%
Total	<u>\$537,698,655</u>	<u>100%</u>	<u>\$553,615,386</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$105.88		\$128.72	

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 1999
(Continued)**

3. PROPERTY TAXES (Continued)

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Montgomery County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999 are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

4. RISK MANAGEMENT

Property and Liability

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. For fiscal year 1999 the District contracted with Indiana Insurance Company general liability insurance. There is a \$1,000 deductible with a one hundred percent blanket, all risk policy. Indiana Insurance Company covers the boiler and machinery with a \$1,000 deductible and a \$30,000,000 limit.

Professional liability is protected by Wausau Insurance Companies with a \$1,000,000 single occurrence limit and \$500,000 aggregate and no deductible. Vehicles are covered by Nationwide/Wausau and hold a \$250 deductible for comprehensive and collision. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past five years. There have been no significant reductions in insurance coverage from last year.

5. WORKERS' COMPENSATION

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 Districts is calculated as one experience and a common premium rate is applied to all 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 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.

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 1999
(Continued)**

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, currently 14 percent. For fiscal year 1999, 7.7 percent was the portion to fund pension obligations. The contribution rates are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually.

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$464,567, 486,998 and \$466,827 respectively; 100 percent of the required contributions has been contributed for fiscal years 1999, 1998 and 1997.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 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 STRS, 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 1,568,039, \$1,626,134 and \$1,501,744, respectively; 100 percent of the required contributions has been contributed for fiscal years 1999, 1998 and 1997.

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, Four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 1999
(Continued)**

7. POST EMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1999 the STRS board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$392,010 during 1999.

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 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. 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, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expense for health care at June 30, 1998 (the latest information available) were \$111,900,575 and the target level was \$125 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS had approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$ 139,702 during the 1999 fiscal year.

8. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who are not on a twelve month contract do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to the number of annual work days per contract plus ninety, not to exceed 275 days. Upon retirement, payment is made for one-third of the total sick leave accumulation, up to a maximum accumulation of 52 paid days for certified employees. Classified employees receive twenty five(25%) of accrued sick with no maximum paid days.

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 1999
(Continued)**

8. OTHER EMPLOYEE BENEFITS (CONTINUED)

B. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance to most employees through the Educational Employees Life Insurance Trust. Administrators receive coverage in the amount of their salary rounded to the nearest \$1,000. The Treasurer and Superintendent receives coverage twice their salary. Coverage in the amount of \$30,000 is provided for all certified and noncertified employees. Part Time employees are covered for \$15,000.

9. LONG TERM OBLIGATIONS

Changes in long-term obligations of the District during fiscal year 1999, were as follows:

	Principal Outstanding 7/1/98	Additions	Deductions	Principal Outstanding 6/30/99
Energy Conservation - 7.65%	\$115,478	\$	\$48,902	\$66,576
General Obligation Bonds:				
School Improvement Bonds 9.75%	<u>2,500,000</u>	<u>0</u>	<u>250,000</u>	<u>2,250,000</u>
Total General Long-Term Obligations	<u>\$2,615,478</u>	<u>\$0</u>	<u>\$298,902</u>	<u>\$2,316,576</u>

The general obligation bonds will be paid from the debt service fund.

The District's voted legal debt margin was \$ 48,392,879 with an unvoted debt margin of \$5,376,987 at June 30, 1999. Principal and interest requirements to retire long term debt obligation outstanding at June 30, 1999, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	\$302,752	\$210,792	\$513,544
2001	263,824	183,077	446,901
2002	250,000	158,438	408,438
2003	250,000	134,063	384,063
2004	250,000	109,689	359,689
2005-2008	<u>1,000,000</u>	<u>195,000</u>	<u>1,195,000</u>
Total	<u>\$2,316,576</u>	<u>\$991,059</u>	<u>\$3,307,635</u>

10. JOINTLY GOVERNED ORGANIZATIONS

Southwestern Ohio Educational Purchasing Cooperative - The Southwestern Ohio Educational Purchasing Cooperative (SOEPC) is a purchasing cooperative made up of nearly 100 Districts in 12 counties. The Montgomery County Educational Service Center acts as the Fiscal Agent for the group. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 1999
(Continued)**

10. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 1999, the District paid \$988 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Cooperative, Robert Brown, who serves as Director, 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. All Superintendents except for those from educational service centers vote on the representatives after nominating committee nominates individuals to run.

One at-large non-public representative is elected by the non-public school SOITA members in the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 1999, the District paid \$ 2,734 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, 150 East Sixth Street, Franklin, Ohio 45005.

Miami Valley Career Technical Center - The Miami Valley Career Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district's elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to The Miami Valley Career Technical Center at 6800 Hoke Road, Clayton, Ohio 45315.

11. STATE 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 the District. For the fiscal year ended June 30, 1999 the District received \$5,393,517 of school foundation support for its general fund.

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 1999
(Continued)**

11. STATE SCHOOL FUNDING DECISION (Continued)

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 constitutional issues raised under the "through 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. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Common Pleas Court 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 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.

12. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state 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 adverse effect on the overall financial position of the District at June 30, 1999.

B. Litigation

The District is party to legal proceedings. The District's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the District.

13. YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the District's operations as early as fiscal year 1999.

Vandalia Butler City School District has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting District operations and has identified such systems as being financial reporting, payroll, and budget activity.

- The financial reporting, payroll, and budget activity systems are believed to be compliant in accordance with vendor statements.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information through the State's Education Management and Information System. The State is responsible for remediating these systems.

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 1999
(Continued)**

13. YEAR 2000 ISSUE (Continued)

Montgomery County collects property taxes for distribution to the School District. Montgomery County is responsible for remediating the tax collection system.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

14. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$188,579	\$188,579
Current Year Set-aside Requirement	381,273	381,273	82,220	844,766
Current Year Offsets	(51,457)	0	0	(51,457)
Qualifying Disbursements	<u>(387,656)</u>	<u>(569,149)</u>	<u>0</u>	<u>(956,805)</u>
Total	<u>(\$ 57,840)</u>	<u>(\$187,876)</u>	<u>\$270,799</u>	<u>\$ 25,083</u>
Cash Balance Carried Forward to FY 2000	<u>\$0</u>	<u>\$0</u>	<u>\$270,799</u>	
Total Restricted General Fund Balance As of June 30, 1999				<u>\$ 270,799</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts for textbooks and capital acquisitions to below zero, the extra amount may not be used to reduce the set-aside requirement of future. The negative amounts for textbooks and capital acquisitions are therefore not presented as being carried forward to the next fiscal year.

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

Federal Grantor Pass Through Grantor Program Title	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY NUMBER	RECEIPTS	NON-CASH RECEIPTS	DISBURSEMENTS	NON-CASH DISBURSEMENTS
U.S. Department of Agriculture (Passed through State Department of Education)						
Nutrition Cluster:						
Food Distribution Program	10.550	N/A	\$0	\$36,005	\$0	\$37,008
National school Lunch Program	10.555	03-PU-98	6,202	0	6,202	0
		03-PU-99	29,420	0	29,420	0
		04-PU-98	8,752	0	8,752	0
		04-PU-99	46,344	0	46,344	0
Total National School Lunch Program			90,718	0	90,718	0
Nutrition Education and Training Program	10.564	19-SS-98	0	0	130	0
Total U. S. Department of Agriculture Nutrition Cluster			90,718	36,005	90,848	37,008
U.S. Department of Education (Passed through State Department of Education)						
Grants to Local Educational Agencies (ESEA Title 1)	84.010	C1-S1-98	78,621	0	79,529	0
		C1-S1-99	108,570	0	130,795	0
Total ESEA Title 1			187,191	0	210,324	0
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	84.027	6B-SF-98P	101,556	0	145,080	0
		6B-SF-99P	54,419	0	26,450	0
Total Special Education - State Grants			155,975	0	171,530	0
PreSchool Disabilities Grant	84.173	PG-S1-99P	7,098	0	13,366	0
Total Special Education Cluster			163,073	0	184,896	0
Drug Free Schools and Communities	84.186	DR-S1-98	5,788	0	0	0
Vocational Education- Basic Grants to States	84.048	0449581CP2698	0	0	858	0
		0449581CP2699	4,900	0	1,852	0
Total Vocational Education			4,900	0	2,710	0
GOALS 2000	84.276	044958G2S497C	34,560	0	27,486	0
		044958G2S498	(3,492)	0	8,688	0
		044958G2A200	1,737	0	1,737	0
		044958G2S400	3,000	0	731	0
Total GOALS 2000			35,805	0	38,642	0
Eisenhower Math and Science Subsidy	84.281	044958MSS196	(198)	0	0	0
		044958MSS197	0	0	1,429	0
		044958MSS198	0	0	868	0
		044958MSS199	11,325	0	1,939	0
Total Eisenhower Math and Science Subsidy			11,127	0	4,236	0
Innovative Education Program Strategy	84.298	044958C2S197	0	0	9,763	0
		044958C2S199	14,605	0	9,413	0
Total Innovative Education Program Strategy			14,605	0	19,176	0
Total United States Department of Education			422,489	0	459,984	0
Total Federal Assistance			\$513,207	\$36,005	\$550,832	\$37,008

See accompanying notes to this schedule

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1998**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

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

Board of Education
Vandalia Butler City School District
Montgomery County
306 South Dixie Drive
Vandalia, Ohio 45377-2189

To Board of Education:

We have audited the financial statements of the Vandalia-Butler City School District, Montgomery County (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 11, 2000, wherein we noted that the District has continued to follow the basis of accounting previously prescribed by the Auditor of State rather than generally accepted accounting principles, which is now required. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-10357-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 11, 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Education
Vandalia Butler City School District
Montgomery 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 Financial Advisory Council, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

January 11, 2000



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

Board of Education
Vandalia Butler City School District
Montgomery County
306 South Dixie Drive
Vandalia, Ohio 45377-2189

Compliance

We have audited the compliance of Vandalia-Butler City School District, Montgomery County, (the District) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 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 year ended June 30, 1999.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

JIM PETRO
Auditor of State

January 11, 2000

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

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)?	NO
(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 Program- Local Educational Agencies, CFDA # 84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A : \$300,000 Type B :> All Others
(d)(1)(ix)	Low Risk Auditee?	YES

SCHEDULE OF FINDINGS
JUNE 30, 1999
OMB CIRCULAR A-133 § .505
(Continued)

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

Finding Number	1999-10357-001
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Ohio Admin. Code Section 117-2-01 requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omits assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other legal administrative remedies may be taken against the School District.

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</u>
1998-10357-001	Financial statements not prepared in accordance with Generally Accepted Accounting Principles	No	The Vandalia-Butler Board of Education and Treasurer have discussed this in the past and continue to revisit complying with finding 1998-10357-001 in regards to filing an annual report in compliance with generally Accepted Accounting Principles. The conclusion in the past has been that compliance with this unfunded mandate provided little or no value to the school district or to the education of our children. Therefore, in the interest of saving hard earned tax dollars paid by our residents, the district has opted to pay the fine for noncompliance rather than paying the cost of compliance. The Board of Education, Treasurer, and the district's Financial Advisory Committee will revisit this issue for the 2000 fiscal year report.
1998-10357-002	Transfers	Yes	

CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)

June 30, 1999

<u>Finding Number</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>	<u>Responsible Contact Person</u>
1999-10357-001	The Vandalia-Butler Board of Education and Treasurer have discussed this in the past and continue to revisit complying with finding 1998-10357-001 in regards to filing an annual report in compliance with generally Accepted Accounting Principles. The conclusion in the past has been that compliance with this unfunded mandate provided little or no value to the school district or to the education of our children. Therefore, in the interest of saving hard earned tax dollars paid by our residents, the district has opted to pay the fine for noncompliance rather than paying the cost of compliance. The Board of Education, Treasurer, and the district's Financial Advisory Committee will revisit this issue for the 2000 fiscal year report.	Unknown	Jonathan Boyd, Treasurer



STATE OF OHIO
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JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

VANDALIA BUTLER CITY SCHOOL DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 1, 2000**