



**XENIA CITY SCHOOL DISTRICT
GREENE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Xenia City School District
Greene County
578 East Market Street
Xenia, Ohio 45385

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Xenia City School District, Greene County, (the District) as of and for the 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 Xenia City School District, Greene County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 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 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 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.

JIM PETRO
Auditor of State

February 17, 2000

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**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

	<u>Governmental Fund Types</u>			<u>Proprietary Fund Types</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise</u>
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,596,942	\$673,399	\$372,359	\$380,691
Cash and Cash Equivalents: In Segregated Accounts Restricted for Budget Reserve	339,840			
Receivables:				
Taxes	5,795,711	1,552,960	195,688	
Accounts	40,642		159	5,459
Intergovernmental	3,400			
Interfund Receivable	3,231			395
Due from Other Funds	4,422			
Prepaid Items	54,511			1,505
Inventory Held for Resale				39,216
Materials and Supplies Inventory				2,165
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				132,788
Other Debits:				
Amount to be Provided from General Government Resources				
Amount to be Provided for Capital Leases				
Total Assets and Other Debits	<u>\$7,838,699</u>	<u>\$2,226,359</u>	<u>\$568,206</u>	<u>\$562,219</u>
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	192,982	39,109	8,324	33,523
Accrued Wages	2,181,104	152,222		60,241
Compensated Absences Payable	241,588			42,844
Interfund Payable	40	2,657		929
Due to Other Funds				
Intergovernmental Payable	488,757	59,339	401	88,223
Deferred Revenue	4,704,337	1,176,592	146,651	32,092
Due to Students				
Capital Leases Payable				
Energy Conservation Notes Payable				
Total Liabilities	<u>7,808,808</u>	<u>1,429,919</u>	<u>155,376</u>	<u>257,852</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				304,367
Fund Balance:				
Reserved for Encumbrances	274,820	113,140	122,479	
Reserved for Prepaid Items	54,511			
Reserved for Budget Stabilization	339,840			
Reserved for Donations				
Reserved for Taxes	1,091,374	376,368	49,037	
Unreserved:				
Undesignated	(1,730,654)	306,932	241,314	
Total Fund Equity and Other Credits	<u>29,891</u>	<u>796,440</u>	<u>412,830</u>	<u>304,367</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$7,838,699</u>	<u>\$2,226,359</u>	<u>\$568,206</u>	<u>\$562,219</u>

The notes to the general-purpose financial statements are an integral part of this statement.

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
\$127,891			\$3,151,282
4,422			4,422
			339,840
			7,544,359
			46,260
			3,400
			3,626
			4,422
			56,016
			39,216
			2,165
	29,685,659		29,818,447
		2,659,209	2,659,209
		93,186	93,186
<u>\$132,313</u>	<u>\$29,685,659</u>	<u>\$2,752,395</u>	<u>\$43,765,850</u>
			273,938
			2,393,567
		2,183,929	2,468,361
			3,626
4,422			4,422
4,671		215,280	856,671
			6,059,672
30,746			30,746
		93,186	93,186
		260,000	260,000
<u>39,839</u>		<u>2,752,395</u>	<u>12,444,189</u>
	29,685,659		29,685,659
			304,367
1,943			512,382
			54,511
85,722			339,840
			85,722
			1,516,779
4,809			(1,177,599)
<u>92,474</u>	<u>29,685,659</u>		<u>31,321,661</u>
<u>\$132,313</u>	<u>\$29,685,659</u>	<u>\$2,752,395</u>	<u>\$43,765,850</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Revenues:					
Taxes	\$10,307,201	\$3,172,670	\$409,837		\$13,889,708
Intergovernmental	14,153,291	2,537,871	48,751		16,739,913
Interest	325,680	28,981			354,661
Tuition and Fees	47,169	1,528			48,697
Extracurricular Activities		251,369			251,369
Classroom Materials and Fees	133,428	491			133,919
Miscellaneous	81,649	69,996	1,500	10,000	163,145
Total Revenues	25,048,418	6,062,906	460,088	10,000	31,581,412
Expenditures:					
Current:					
Instruction:					
Regular	9,274,120	4,006,362	332,564		13,613,046
Special	2,217,151	1,118,555			3,335,706
Vocational	598,566				598,566
Adult/Continuing		2,466			2,466
Other	82,650				82,650
Support Services:					
Pupils	1,668,709	58,093			1,726,802
Instructional Staff	1,251,570	247,870	402		1,499,842
Board of Education	18,985				18,985
Administration	3,002,082	101,087	20,929		3,124,098
Fiscal	358,127				358,127
Business	410,453				410,453
Operation and Maintenance of Plant	2,530,102		391,672		2,921,774
Pupil Transportation	1,771,792	1,638	2,310		1,775,740
Central	23,030	3			23,033
Operation of Non-Instructional Services	305,063	208,401		46	513,510
Extracurricular Activities		268,157			268,157
Capital Outlay				3,757	3,757
Debt Service:					
Principal Retirement			213,187		213,187
Interest and Fiscal Charges	107,640		22,000		129,640
Total Expenditures	23,620,040	6,012,632	983,064	3,803	30,619,539
Excess of Revenues Over (Under) Expenditures	1,428,378	50,274	(522,976)	6,197	961,873
Other Financing Sources (Uses):					
Proceeds from Sale of Notes					3,213
Proceeds from Sale of Fixed Assets	3,054		159		18,134
Refund of Prior Year Expenditures	18,064	70			(13,530)
Refund of Prior Year Receipts		(13,530)			142,933
Operating Transfers In		200	142,733		(142,933)
Operating Transfers Out	(142,933)				
Total Other Financing Sources (Uses)	(121,815)	(13,260)	142,892		7,817
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,306,563	37,014	(380,084)	6,197	969,690
Fund Balances (Deficit) at Beginning of Year	(1,276,672)	759,426	792,914	555	276,223
Fund Balances (Deficits) at End of Year	\$29,891	\$796,440	\$412,830	\$6,752	\$1,245,913

The notes to the general-purpose financial statements are an integral part of this statement.

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**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 1999**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES:						
Taxes	\$10,880,192	\$10,094,742	(\$785,450)	\$3,151,495	\$3,009,087	(\$142,408)
Tuition and fees	65,597	60,802	(4,795)			
Earnings on investments	385,412	357,019	(28,393)	1,601	1,528	(73)
Extracurricular activities				263,265	251,369	(11,896)
Classroom materials and fees	127,200	118,044	(9,156)	515	491	(24)
Intergovernmental	15,251,502	14,149,890	(1,101,612)	2,883,693	2,753,386	(130,307)
Miscellaneous	84,412	78,295	(6,117)	73,309	69,996	(3,313)
Total Revenues	26,794,315	24,858,792	(1,935,523)	6,373,878	6,085,857	(288,021)
EXPENDITURES:						
Instruction:						
Regular	9,442,320	9,030,265	412,055	4,281,436	4,002,629	278,807
Special	2,225,495	2,203,019	22,476	1,173,655	1,097,156	76,499
Vocational Educating	614,468	593,343	21,125			
Adult Continuing				2,646	2,466	180
Other Instruction	90,000	96,957	(6,957)			
Support Services:						
Pupils	1,797,156	1,660,367	136,789	95,869	89,339	6,530
Instructional support	1,316,564	1,249,447	67,117	301,435	281,860	19,575
Board of education	14,842	14,369	473			
Administration	3,130,609	3,063,832	66,777	108,382	101,000	7,382
Fiscal	400,831	355,665	45,166			
Business	547,820	409,136	138,684			
Operation and maintenance of plant	2,617,153	2,530,478	86,675	141	131	10
Pupil transportation	2,033,825	1,950,601	83,224	1,758	1,638	120
Central	38,000	23,110	14,890	3	3	0
Operation of noninstructional services				284,420	265,812	18,608
Extracurricular activities	446,150	303,383	142,767	303,856	284,308	19,548
Capital outlay						
Debt Service:						
Principal payments	2,782,629	2,780,000	2,629			
Interest and fiscal charges	107,371	107,640	(269)			
Total Expenditures	27,605,233	26,371,612	1,233,621	6,553,601	6,126,342	427,259
Excess of Revenues Over/ (Under) Expenditures	(810,918)	(1,512,820)	(701,902)	(179,723)	(40,485)	139,238
Other Financing Sources/(Uses):						
Transfers in	225,110	0	(225,110)	209	200	(9)
Transfers out	(350,723)	(142,933)	207,790			
Sale and loss of assets	4,686	4,326	(360)			
Proceeds from the sale of notes	2,075,701	1,916,000	(159,701)			
Refund of prior year receipts				(14,519)	(13,530)	989
Refund of prior year expenditures	19,613	18,104	(1,509)	73	70	(3)
Total Other Financing Sources/(Uses)	1,974,387	1,795,497	(178,890)	(14,237)	(13,260)	977
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	1,163,469	282,677	(880,792)	(193,960)	(53,745)	140,215
Fund Balance/(Deficit) July 1	987,812	987,812	0	461,209	461,209	0
Prior year encumbrances appropriated	280,208	280,208	0	123,983	123,983	0
Fund Balance/(Deficit) June 30	\$2,431,489	\$1,550,697	(\$880,792)	\$391,232	\$531,447	\$140,215

The notes to the general-purpose financial statements are an integral part of this statement.

Capital Projects Funds			Expendable Trust Fund			Total - (Memorandum Only)		
Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
\$332,424	\$360,800	\$28,376				\$14,364,111	\$13,464,629	(\$899,482)
						65,597	60,802	(4,795)
						387,013	358,547	(28,466)
						263,265	251,369	(11,896)
						127,715	118,535	(9,180)
44,917	48,751	3,834				18,180,112	16,952,027	(1,228,085)
1,382	1,500	118	10,000	10,000	0	169,103	159,791	(9,312)
378,723	411,051	32,328	10,000	10,000	0	33,556,916	31,365,700	(2,191,216)
393,629	522,794	(129,165)				14,117,385	13,555,688	561,697
						3,399,150	3,300,175	98,975
						614,468	593,343	21,125
						2,646	2,466	180
						90,000	96,957	(6,957)
402	402	0				1,893,025	1,749,706	143,319
						1,618,401	1,531,709	86,692
						14,842	14,369	473
20,966	20,966	0				3,259,957	3,185,798	74,159
						400,831	355,665	45,166
						547,820	409,136	138,684
409,608	409,608	0				3,026,902	2,940,217	86,685
2,310	2,310	0				2,037,893	1,954,549	83,344
						38,003	23,113	14,890
			80	46	34	284,500	265,858	18,642
						750,006	587,691	162,315
			9,920	5,700	4,220	9,920	5,700	4,220
120,000	120,000	0				2,902,629	2,900,000	2,629
22,000	22,000	0				129,371	129,640	(269)
968,915	1,098,080	(129,165)	10,000	5,746	4,254	35,137,749	33,601,780	1,535,969
(590,192)	(687,029)	(96,837)	0	4,254	4,254	(1,580,833)	(2,236,080)	(655,247)
131,508	142,733	11,225				356,827	142,933	(213,894)
						(350,723)	(142,933)	207,790
						4,686	4,326	(360)
						2,075,701	1,916,000	(159,701)
						(14,519)	(13,530)	989
						19,686	18,174	(1,512)
131,508	142,733	11,225				2,091,658	1,924,970	(166,688)
(458,684)	(544,296)	(85,612)		4,254	4,254	510,825	(311,110)	(821,935)
470,111	470,111	0	555	555	0	1,919,687	1,919,687	0
324,024	324,024	0				728,215	728,215	0
\$335,451	\$249,839	(\$85,612)	\$555	\$4,809	\$4,254	\$3,158,727	\$2,336,792	(\$821,935)

**COMBINED STATEMENT OF REVENUE, EXPENSES,
AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30,1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Revenues:			
Tuition	\$6,783		\$6,783
Sales	850,485		850,485
Charges for Services	51,609		51,609
Interest		3,560	3,560
Extracurricular Activities	1,007		1,007
Other Operating Revenues	<u>5,242</u>	<u>3,120</u>	<u>8,362</u>
 Total Operating Revenues	 <u>915,126</u>	 <u>6,680</u>	 <u>921,806</u>
Operating Expenses:			
Salaries	531,327		531,327
Fringe Benefits	280,713		280,713
Purchased Services	35,235		35,235
Materials and Supplies	229,035		229,035
Cost of Sales	512,546		512,546
Depreciation	7,563		7,563
Other Operating Expenses		<u>7,700</u>	<u>7,700</u>
 Total Operating Expenses	 <u>1,596,419</u>	 <u>7,700</u>	 <u>1,604,119</u>
 Operating Income (Loss)	 <u>(681,293)</u>	 <u>(1,020)</u>	 <u>(682,313)</u>
Non-Operating Revenues (Expenses):			
Federal Donated Commodities	82,211		82,211
Operating Grants	421,037		421,037
Interest	<u>4,158</u>		<u>4,158</u>
 Total Non-Operating Revenues (Expenses)	 <u>507,406</u>		 <u>507,406</u>
 Net Income (Loss)	 <u>(173,887)</u>	 <u>(1,020)</u>	 <u>(174,907)</u>
 Retained Earnings/Fund Balance (Deficit) at Beginning of Year	 <u>478,254</u>	 <u>86,742</u>	 <u>564,996</u>
 Total Fund Equity at End of Year	 <u><u>\$304,367</u></u>	 <u><u>\$85,722</u></u>	 <u><u>\$390,089</u></u>

The notes to the general-purpose financial statements are an integral part of this statement.

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**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND EQUITY
BUDGET AND ACTUAL (BUDGETARY BASIS)
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 1999**

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
OPERATING REVENUES:			
Food services	\$965,306	\$851,132	(\$114,174)
Tuition and fees	7,692	6,783	(909)
Earnings on investments			
Extracurricular activities	409	361	(48)
Classroom materials and fees	57,726	50,898	(6,828)
Miscellaneous			
Total Operating Revenues	<u>1,031,133</u>	<u>909,174</u>	<u>(121,959)</u>
OPERATING EXPENSES:			
Salaries	669,277	529,069	140,208
Fringe benefits	343,674	271,677	71,997
Purchased services	47,258	37,357	9,901
Materials and supplies	908,059	717,827	190,232
Capital outlay	4,734	3,742	992
Other operating expenses	16,866	13,333	3,533
Total Operating Expenses	<u>1,989,868</u>	<u>1,573,005</u>	<u>416,863</u>
Excess of Operating Revenues Over/ (Under) Operating Expenses	(958,735)	(663,831)	294,904
Non-Operating Revenues:			
Intergovernmental	627,141	552,964	(74,177)
Earnings on investments	6,490	5,723	(767)
Miscellaneous	5,234	4,615	(619)
Total Non-Operating Revenues	<u>638,865</u>	<u>563,302</u>	<u>(75,563)</u>
Excess of Revenues, Over/(Under) Expenditures	(319,870)	(100,529)	219,341
Fund Balance/(Deficit) July 1	354,561	354,561	0
Prior year encumbrances appropriated	34,848	34,848	0
Fund Balance/(Deficit) June 30	<u>\$69,539</u>	<u>\$288,880</u>	<u>\$219,341</u>

The notes to the general-purpose financial statements are an integral part of this statement.

<u>Non-Expendable Trust Funds</u>			<u>Total (Memorandum Only)</u>		
<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
			\$965,306	\$851,132	(\$114,174)
			7,692	6,783	(909)
7,330	5,483	(1,847)	7,330	5,483	(1,847)
			409	361	(48)
			57,726	50,898	(6,828)
4,171	3,120	(1,051)	4,171	3,120	(1,051)
<u>11,501</u>	<u>8,603</u>	<u>(2,898)</u>	<u>1,042,634</u>	<u>917,777</u>	<u>(124,857)</u>
			669,277	529,069	140,208
			343,674	271,677	71,997
			47,258	37,357	9,901
			908,059	717,827	190,232
			4,734	3,742	992
7,700	7,700	0	24,566	21,033	3,533
<u>7,700</u>	<u>7,700</u>	<u>0</u>	<u>1,997,568</u>	<u>1,580,705</u>	<u>416,863</u>
3,801	903	(2,898)	(954,934)	(662,928)	292,006
			627,141	552,964	(74,177)
			6,490	5,723	(767)
			5,234	4,615	(619)
			<u>638,865</u>	<u>563,302</u>	<u>(75,563)</u>
3,801	903	(2,898)	(316,069)	(99,626)	216,443
84,819	84,819	0	439,380	439,380	0
			34,848	34,848	0
<u>\$88,620</u>	<u>\$85,722</u>	<u>(\$2,898)</u>	<u>\$158,159</u>	<u>\$374,602</u>	<u>\$216,443</u>

**COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$908,167	\$0	\$908,167
Cash Received from Interest Income (Nonexpendable Trusts Only)		5,483	5,483
Cash Received from Extracurricular Activities	1,007		1,007
Cash Received from Other Operating Revenue	4,615	3,120	7,735
Cash Payments to Suppliers for Goods and Services	(668,388)		(668,388)
Cash Payments to Employees for Services	(529,068)		(529,068)
Cash Payments for Employee Benefits	(271,676)		(271,676)
Cash Payments for Miscellaneous		(7,700)	(7,700)
Net Cash Provided by (Used for) Operating Activities	(555,343)	903	(554,440)
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	552,964		552,964
Net Cash Provided by (Used for) Noncapital Financing Activities	552,964		552,964
Cash Flows from Capital and Related Financing Activities:			
Payments for Capital Acquisitions	(12,061)		(12,061)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(12,061)		(12,061)
Cash Flows from Investing Activities:			
Interest on Investments	5,723		5,723
Net Cash Provided by (Used for) Investing Activities	5,723		5,723
Net Increase (Decrease) in Cash and Cash Equivalents	(8,717)	903	(7,814)
Cash and Cash Equivalents at Beginning of Year	389,408	84,819	474,227
Cash and Cash Equivalents at End of Year	\$380,691	\$85,722	\$466,413
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	(681,293)	(1,020)	(682,313)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	7,563		7,563
Donated Commodities Used During Year	82,211		82,211
Non-Operating change in accruals:			
(Increase)/Decrease in accounts receivable	(1,338)		(1,338)
(Increase)/Decrease in accrued interest receivable		1,923	1,923
(Increase)/Decrease in inventory held for resale	4,721		4,721
(Increase)/Decrease in materials and supplies inventory	124		124
Increase/(Decrease) in accounts payable	24,498		24,498
Increase/(Decrease) in accrued wages	129		129
Increase/(Decrease) in compensated absences payable	(11,312)		(11,312)
Increase/(Decrease) in intergovernmental payable	22,479		22,479
Increase/(Decrease) in deferred revenue	(3,125)		(3,125)
Total Adjustments	125,950	1,923	127,873
Net Cash Provided by Operating Activities	(\$555,343)	\$903	(\$554,440)

The notes to the general-purpose financial statements are an integral part of this statement.

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District operates under a locally elected five member Board 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 225 non-certificated personnel and 358 certificated full time teaching and administrative personnel to provide services to students and other community members. The Average Daily Membership (ADM) as of October 1, 1998 was 5,419. It currently operates 7 elementary schools, 2 junior high schools (grades 7-9), and 1 high school (grades 10-12.)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

For financial reporting purposes the District's financial statements include all funds, account groups, and component units for which the District is financially accountable based upon criteria set forth in GASB Statement 14. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e. the District) are financially accountable. The District would consider an organization to be a component unit if:

1. The District appoints a voting majority of the organization's governing body AND (a) is able to impose its will on that organization OR (b) there is a potential for the organization to provide specific burdens on the District; OR
2. The Organization is fiscally dependent upon the District; OR
3. The nature of the relationship between the District and the organization is such that the exclusion from the financial reporting entity would render the financial statements of the District misleading.

For the fiscal year 1999, the School District does not have any component units.

The District is associated with three organizations which are defined as jointly governed. These organizations are the Miami Valley Educational Cooperative Association, the Southwestern Ohio Educational Purchasing Cooperative and the Greene County Career Center. These organizations are further discussed in Note 18.

B. BASIS OF PRESENTATION-FUND ACCOUNTING

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION-FUND ACCOUNTING (continued)

Governmental Fund Types:

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

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

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

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

Proprietary Fund Type:

Proprietary Funds are used to account for the District's ongoing activities which are similar to those most often found in the private sector. The following 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 cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund Types:

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

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 Proprietary Funds and Trust Funds.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Governmental Fund Types and Expendable Trust Funds are accounted for on a spending, or "financial resources" measurement focus. Governmental Fund Types and Expendable Trust funds operating statements represent increases and decreases in net current assets. Their reported fund balances are considered a measure of available expendable resources.

Proprietary Fund Types and Nonexpendable Trust Funds are accounted for on a cost of services, or "economic resources", measurement focus. Proprietary Fund Types and Nonexpendable Trust Funds income statements represent increases and decreases in net total assets.

The modified accrual basis of accounting is followed for Governmental and Expendable Trust Funds. Under this basis of accounting revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after fiscal year end. Revenue accrued at the end of the fiscal year included delinquent property taxes, interest, tuition, and state and federal grants. Property taxes measurable as of June 30, 1999 and delinquent property taxes whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue. Expenditures are recognized in the period in which the related fund liability is incurred, except interest on long term debt which is recorded when due.

Proprietary funds and Nonexpendable Trust Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred.

D. BUDGETARY PROCESS

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

- 1) Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP);
- 2) Expenditures are recorded when encumbered, or paid in cash (budgetary), as opposed to when susceptible to accrual (GAAP);
- 3) Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as a note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

The District adopts an annual budget for all governmental fund types. The specific timetable is as follows:

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY PROCESS (continued)

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

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

Estimated Resources:

Prior to March 15, 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 amount set forth in the final Amended Certificate.

Appropriations:

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.

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.

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

Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the board during fiscal 1998-99 and none were significant.

Lapsing of Appropriations:

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

D. BUDGETARY PROCESS (continued)

Encumbrances:

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

Budgetary Basis of Accounting:

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

**Reconciliation of Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Expendable Trust</u>	<u>Total</u>
Budget Basis	\$ 282,677	\$ (53,745)	\$(544,296)	\$ 4,254	\$(311,110)
Adjustments:					
Revenue Accruals	(1,727,687)	(22,952)	49,195	0	(1,701,444)
Expenditure Accruals	2,365,490	(28,240)	(7,502)	0	2,329,748
Encumbrances	386,083	141,951	122,519	1,943	652,496
GAAP Basis	<u>\$1,306,563</u>	<u>\$ 37,014</u>	<u>\$(380,084)</u>	<u>\$ 6,197</u>	<u>\$ 969,690</u>

**Net Income (Loss)/Excess of Revenues Over (Under) Expenses
Enterprise Fund and Nonexpendable Trust Fund**

	<u>Enterprise</u>	<u>Non- Expendable Trust</u>
Budget Basis	\$ (100,529)	\$ 903
Adjustments:		
Revenue Accruals	(49,944)	(1,923)
Expense Accruals	(40,578)	0
Depreciation Expense	7,563	0
Encumbrances	9,601	0
GAAP Basis	<u>\$ (173,887)</u>	<u>\$ (1,020)</u>

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CASH AND INVESTMENTS

Cash received by the District is deposited in one bank account with individual fund balance integrity maintained throughout. Monies for all funds are maintained in these accounts or are temporarily used to purchase short-term cash equivalent investments (maturity date within three months of the date acquired) which are stated at cost. State statute authorizes the District to invest in obligations of the U. S. Treasury, commercial paper and repurchase agreements.

Under existing Ohio statutes, all investments earnings accrue to the general fund except those specifically related to Agency Funds, certain trust funds and those funds individually authorized by Board resolution. Interest earnings are allocated to these funds based on average monthly cash balances. Interest income earned in fiscal 1999 (excluding Agency fund operations) totaled \$362,379.

For purposes of the combined statement of cash flows (GASB Statement No. 9) and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

F. INVENTORY (MATERIALS AND SUPPLIES)

Inventories are valued at lower of cost (first-in, first-out) or market and are determined by physical count. The proprietary fund inventories are recorded as expenses when used. Inventory in governmental funds consists of expendable supplies which are recorded as an expenditure when individual inventory items are purchased. The governmental fund inventories are offset by a fund balance reserve which indicated they do not constitute "available expendable resources" and are not available for appropriations. The District did not have any significant governmental inventories for the fiscal year ended June 30, 1999.

G. FIXED ASSETS AND DEPRECIATION

General Fixed Assets Account Group - General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$1,000 and a useful life of less than 3 years. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District does not possess any infrastructure.

Proprietary Funds - Property, plant and equipment reflected in the proprietary funds are stated as 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:

<u>Asset</u>	<u>Life (years)</u>
Furniture, Fixtures and Equipment	5 to 20

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, entitlement and non-reimbursable grants 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.

I. INTERFUND TRANSACTIONS

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

1. Routine transfers of resources from one fund to another fund through which transactions resources to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and as a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund loans payable/receivable, while long term interfund loans (greater than one year in length) are recorded as advances to/from other funds. The District has no long term advances as of June 30, 1999.

J. COMPENSATED ABSENCES

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

1. The employee's rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payment.

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

	ADMINISTRATORS			
<u>VACATION</u>	<u>CERTIFIED</u>	<u>AND EXEMPT</u>	<u>NON-CERTIFICATED</u>	
How earned	Not Eligible	25 days	10-20 days for each service year depending on length of service	
Maximum Accumulation	Not Applicable	25 days	25 days	
Vested	Not Applicable	25 days	25 days	
Termination Entitlement	Not Applicable	Paid Upon Termination	Paid Upon Termination	

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. COMPENSATED ABSENCES (continued)

<u>SICK LEAVE</u>	<u>ADMINISTRATORS</u>		<u>NON-CERTIFICATED</u>
	<u>CERTIFIED</u>	<u>AND EXEMPT</u>	
How earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	Unlimited	Unlimited	Unlimited
Vested Termination	As Earned	As Earned	As Earned
Entitlement	Per Contract	Per Contract	Per Contract

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

K. LONG-TERM OBLIGATIONS

Long term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long term obligations, only that portion expected to be financed from proprietary fund operations are accounted for in those funds.

L. FUND EQUITY

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations or expenditures. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes, prepaid items, donations, and the budget stabilization reserve. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

M. PROPRIETARY FUND ACCOUNTING POLICIES

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

N. 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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. 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. During fiscal year 1999, the School District transferred \$215,637 into the set-aside budget stabilization reserve.

P. ESTIMATES

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

NOTE 3 - ACCOUNTABILITY

Contrary to Section 5705.41 (D), Ohio Revised Code, the District did not consistently certify the amount required to meet contracts or other expenditure of monies.

Contrary to Section 5705.41 (B), Ohio Revised Code, the following accounts had expenditures plus encumbrances in excess of appropriations during the fiscal year:

November 1998

Permanent Improvement	Excess
Support Services - administration	\$11,789
Support Services - operation & maint	13,400
SchoolNet	
Regular Instruction	53,075

April 1999

Permanent Improvement	Excess
Support Services - administration	\$1,875
Support Services - operation & maint	66,282
SchoolNet	
Special instruction - miscellaneous	66,612

Contrary to Section 5705.39, Ohio Revised Code, the District had the following funds at June 30, 1999 that had appropriations in excess of estimated resources:

Fund	Excess
Title VI-B	(\$103,886)
Auxiliary	(11,745)

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

NOTE 4 - DEPOSITS 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 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 accounts including passbook accounts.

Inactive monies are permitted to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes debentures, or any other obligations or security 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) 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 eighty days in an amount not to exceed twenty-five percent of the interim monies 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.

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

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

Investments in stripped principal or interest obligation, 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 School 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.

Protection of the School 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.

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".

Cash on Hand: At fiscal year end, the School District had \$7,675 in undeposited cash in hand which is included on the balance sheet of the school District as part of "Equity in pooled cash and cash equivalents."

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$(65,122) and the bank balance was \$3,278, all of which was covered by federal depository insurance.

The District's depository sweeps the balance of the general checking account into an overnight account to maximize investment earnings. The carrying amount is negative by the amount of outstanding checks at the time the account was swept into the overnight accounts.

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

The School District's investments at year end included mutual funds. They are Category 3 investments, with a carrying value and a fair value of \$3,552,991.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 entitled "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification of deposit and investments presented above per GASB Statement No. 3 is as follows:

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

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$ 3,495,544	\$ 0
Cash on Hand	(7,675)	
Investments:		
Mutual Funds	(3,552,991)	3,552,991
GASB Statement 3	\$ (65,122)	\$ 3,552,991

Ohio Revised Code Chapter 135, Uniform Depository act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 1999 were based are as follows:

	1998 Second Half Collections		1999 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and other Real Estate	\$382,344,060	86.10%	\$412,787,060	85.49%
Public Utility Real	62,710	.01	73,610	.01
Tangible Personal Property	61,670,114	13.89	70,003,108	14.50
Total Assessed Value	\$444,076,884	100.00%	\$482,863,778	100.00%

In 1999, real property taxes were levied in January 1, 1998, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. A revaluation of real property is required to be completed no less than every six years, with a statistical update every third year. The most recent revaluation was completed in January, 1993. Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25% of true value (as defined). In 1999, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 1999, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least ½ amount billed) was due January 20th with the remainder due June 20th. The County Auditor remits portions of the taxes collected to all taxing Districts with periodic settlements of Real and Public Utility property taxes in February and August and Tangible Personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

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

NOTE 5 - PROPERTY TAXES (continued)

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which become measurable at June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999 was \$1,091,374 and is recognized as revenue in the General Fund, \$376,368 in the Special Revenue Funds and \$49,037 in the Capital Project Funds.

NOTE 6 - INCOME TAX

The School District levies a voted tax of ½ percent for general operations on the income of residents and of estates. The tax was effective on 1/1/91, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes and income taxes, accounts, interfund and intergovernmental grants. 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 fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
<i>General Fund:</i>	
Driver's Education reimbursement	\$ 3,400
Total Intergovernmental Receivables	<u>\$ 3,400</u>

NOTE 8 - FIXED ASSETS

A summary of General Fixed Assets Account Group at June 30, 1999 follows:

	<u>July 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 1999</u>
Land/Improvements	\$ 450,091	\$ 0	\$ 0	\$ 450,091
Buildings/Building				
Improvements	22,719,783	0	0	22,719,783
Improvements Other Than				
Buildings	0	74,721	0	74,721
Furniture/Equipment	4,748,351	339,134	0	5,087,485
Vehicles	1,343,693	9,886	0	1,353,579
Total	<u>\$29,261,918</u>	<u>\$ 423,741</u>	<u>0</u>	<u>\$ 29,685,659</u>

There is no significant construction in progress as of June 30, 1999.

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

NOTE 8 - FIXED ASSETS (continued)

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

Furniture and Equipment	\$ 504,820
Less: Accumulated Depreciation	<u>(372,032)</u>
Net Fixed Assets - Proprietary Fund	<u>\$ 132,788</u>

NOTE 9 - NOTES PAYABLE

In 1991, the District issued \$950,000 of energy conservation notes. The proceeds of this issue were used to renovate District facilities to make them more energy efficient. The long term note issues are general obligations of the School District for which the full faith and credit of the School District is pledged for repayment. Accordingly, such unmatured obligation so the School 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 Capital Projects Fund.

The following is a description of the District's long term bonds and notes outstanding as of June 30, 1999:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 6/30/98</u>	<u>Retired 1999</u>	<u>Balance 6/30/99</u>
<u>Notes:</u> Energy Conservation	6.5%	10/01/91	10/01/01	\$380,000	(\$120,000)	\$260,000

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

<u>Year Ending June 30</u>	<u>Note Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$125,000	13,576	138,576
2001	<u>135,000</u>	<u>4,641</u>	<u>139,641</u>
Total	<u>\$260,000</u>	<u>\$18,217</u>	<u>\$278,217</u>

NOTE 10 - CAPITAL LEASES

In 1998, the School District entered into a lease agreement for financing the acquisition of printing and reproduction equipment. The lease agreement qualifies as a capital lease for accounting purposes (titles transfer at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception. The equipment was capitalized in the General Fixed Asset Account Group for \$279,560 during fiscal year 1998.

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 1999:

<u>Fiscal year ending June 30</u>	<u>General Long-Term Debt</u>
2000	<u>\$ 93,186</u>
Total Minimum Lease Payments	\$ 93,186
Less: Amount Representing Interest	<u>0</u>
Net Present Value of Minimum Lease Payments	<u>\$ 93,186</u>

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

NOTE 11 - CHANGES IN THE GENERAL LONG TERM OBLIGATIONS ACCOUNT GROUP

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

	<u>July 1, 1998</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 1999</u>
Compensated Absences:				
Sick Leave and				
Vacation Leave	\$ 2,456,849	0	\$ 272,920	\$ 2,183,929
Capital Leases	186,373	0	93,187	93,186
Intergovernmental Payable	110,148	105,132	0	215,280
Notes Payable	380,000	0	120,000	260,000
Total	<u>\$ 3,133,370</u>	<u>\$105,132</u>	<u>\$ 486,107</u>	<u>\$ 2,752,395</u>

NOTE 12 - 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 effect of these debt limitations at June 30, 1999 are a voted debt margin of \$43,457,740 and an unvoted debt margin of \$482,864.

NOTE 13 - SEGMENT INFORMATION

Enterprise Funds - The District maintains Enterprise Funds to account for the operations of Food Service, Uniform School Supplies, and Employability Lab. 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>School Supply</u>	<u>Employability Labs</u>	<u>Total</u>
Operating Revenues	\$ 850,125	\$ 51,609		\$ 915,126
Operating Expenses			\$ 13,392	
before depreciation	1,513,722	61,100		1,588,856
Depreciation	7,563	0	14,034	7,563
Operating Income (Loss)	(671,160)	(9,491)	0	(681,293)
Operating Grants	421,037	0	(642)	421,037
Donated Commodities	82,211	0	0	82,211
Interest	4,158	0	0	4,158
Net Income (Loss)	(163,754)	(9,491)	0	(173,887)
Net Working Capital	126,799	80,644	(642)	214,423
Total Assets	462,169	92,346	6,980	562,219
Total Liabilities	245,426	11,702	7,704	257,852
Total Equity	216,743	80,644	724	304,367

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9% of their annual covered salary and the Xenia City School District is required to contribute 14%. For fiscal year 1999, 7.7 % was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's contributions to SERS for the years ending June 30, 1999, 1998, 1997 were \$571,362, \$521,688, and \$572,070, respectively; 47.7 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$299,082 represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3% of their annual covered salary and the Xenia City School District is required to contribute 14%, 6% 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% for members and 14% for employers. The District's contributions to STRS for the years ending June 30, 1999, 1998, and 1997 were \$2,407,258, \$2,077,440, and \$2,133,060, respectively, 85.2 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$355,484 represent the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

NOTE 15 - POST EMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly medicare premiums. Benefit provisions and the obligation 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.

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.

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

NOTE 15 - POST EMPLOYMENT BENEFITS (continued)

The Board allocated employer contributions were 8.0 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$1,375,576 during fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. For the year ended June 30, 1998 (the latest information available) net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and 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 for the fiscal year 1998 (the latest information available). 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 1998, 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. Expenses for health care at June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$257,113 during the 1999 fiscal year.

NOTE 16 - RISK MANAGEMENT

The School 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 School District contracted with Nationwide Insurance Company for general liability insurance with \$1,000,000 single occurrence limit and a \$3,000,000 aggregate. Property is protected by Indiana Insurance. The School District's vehicles are covered under a business policy with Indiana Insurance with additional vehicle coverage under Monticello.

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:

Currently, the school district is involved in a civil rights matter. Due to the case being in the discovery state, it is uncertain if the case will have an impact on the school district's financial status.

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

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Educational Cooperative Association (MVECA) - The School District is a participant in MVECA, which is a computer consortium. MVECA is an association of public school districts within the geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MVECA consists of two representatives from each of the participating members. The School District paid MVECA \$52,308 for services provided during the year. Complete financial statements can be obtained from MVECA located in Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Cooperative (SOEPC) - SOEPC is a purchasing cooperative made up of nearly 100 school 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. Each member district has one voting representative. Title to any and all equipment, furniture, and supplies purchased by the SOEPC is held in trust by the member school districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. A one year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member will be liable for all member obligations during this one year period. Payments to SOEPC are made from the General (Governmental Fund). The District contributed \$5,433 for the operation of the consortium during the 1999 fiscal year.

Greene County Career Center - The Greene County Career 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 districts' elected Boards, which possesses its own budgeting and taxing authority. To obtain information, write to the Greene County Career Center, Steve Sutcliffe, who serves as treasurer, at 2960 W. Enon Road, Xenia, Ohio 45385.

NOTE 19 - RESTATEMENT OF PRIOR YEAR FUND EQUITY

An overstatement of fixed assets in the prior year caused the following restatement of the prior year fund equity:

	Food Service Fund
Fund equity, as stated at June 30, 1998	\$ 598,129
Restatement	(217,632)
Fund equity, restated at July 1, 1998	\$ 380,497

NOTE 20 - 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 Ohio General Assembly 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 \$12,872,999 of school foundation support for its general fund, and \$13,254,879 in total (all funds) support.

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

NOTE 20 - SCHOOL FUNDING DECISION (continued)

Also, the Court declared the spending reserve borrowing program unconstitutional. The spending reserve program allowed the School District to borrow against amounts anticipated to be collected from tangible personal property taxes after the School District's June 30 fiscal year end. During the fiscal year ended June 30, 1999, the School District did not borrow under this program. However, they repaid \$864,000 borrowed in fiscal year 1998. Historically, the School District has relied on this borrowing to meet their cash flow needs at the end of each fiscal year. State statute has recently been amended to gradually decrease the annual amount that may be borrowed under this program.

Since the Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly 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 that 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 February 17, 2000, the 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 the Common Pleas Court declared unconstitutional.

As of the date of these 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.

NOTE 21 - SET-ASIDE REQUIREMENTS

The District is required by State statute to annually set aside an amount based on prior year revenues for the purchase of textbooks and other instructional materials and an additional amount for capital improvements. Amounts not spent by year-end or offset by similarly restricted sources must be held in cash at year-end and carried forward to be used for the same purpose in future years. Amounts are also to be set aside if the District's base amount used for the yearly set-aside calculation increases three percent (3%) or more from the prior year. This amount is included in the budget stabilization reserve.

The following information describes the changes in the amounts set aside for textbooks and instructional materials, capital improvements and budget stabilization from the end of the prior year to the end of the current year.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Reserve</u>	<u>Total</u>
Set aside balance as of June 30, 1998	--	--	\$ 124,203	\$ 124,203
Current year set-aside requirement	\$ 415,495	\$ 415,495	\$ 215,637	\$ 1,046,627
Current Year Offsets	(77,213)	-	-	(77,213)
Qualifying expenditures	<u>\$(395,334)</u>	<u>\$(549,236)</u>	<u>\$ --</u>	<u>\$(944,570)</u>
Totals	<u>\$ (57,052)</u>	<u>\$(133,741)</u>	<u>\$ 339,840</u>	<u>\$ 149,047</u>
Cash balance carried forward to FY2000	<u>--</u>	<u>--</u>		<u>\$ 339,840</u>
Amount restricted for budget stabilization				<u>\$ 339,840</u>
Total restricted assets				<u>\$ 339,840</u>

Although the District had qualifying expenditures during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are not presented as being carried forward to the next fiscal year.

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 1999

FEDERAL GRANTOR/ PASS THROUGH GRANTOR PROGRAM TITLE	PASS THROUGH ENTITY NUMBER	FEDERAL CFDA NUMBER	RECEIPTS	NON-CASH RECEIPTS	DISBURSEMENTS	NON-CASH DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE						
<i>(Passed Through Ohio Department of Education)</i>						
Nutrition Cluster:						
Food Distribution Program		10.550	\$0	\$82,211	\$0	\$85,337
National School Breakfast Program	05-PU	10.553	87,959	0	87,959	0
National School Lunch Program	04-PU	10.555	402,246	0	402,246	0
Summer Food Service Program	23-ML	10.559	28,583	0	28,583	0
Total U.S. Department of Agriculture - Nutrition Cluster			518,788	82,211	518,788	85,337
INSTITUTE OF MUSEUMS AND LIBRARY SERVICES						
<i>(Passed Through State Library of Ohio)</i>						
Library Automation LSTA Grant	I-L1	45.310	22,507	0	29,555	0
U.S. DEPARTMENT OF EDUCATION						
<i>(Passed Through Ohio Department of Education)</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF	84.027	316,640	0	283,348	0
Special Education - Grants to States	PG-S1	84.173	17,340	0	32,141	0
Total Special Education Cluster			333,980	0	315,489	0
Grants to Local Educational Agencies (ESEA Title I)	C1-S1	84.010	1,118,293	0	1,058,108	0
Drug-Free Education Grant	DR-S1	84.186	43,035	0	35,316	0
Goals 2000	G2-S3	84.276	20,000	0	15,441	0
Eisenhower Professional Development State Grant	MS-S1	84.281	55,817	0	53,903	0
Innovative Education Program Strategies	C2-S1	84.298	27,484	0	26,117	0
Total passed through Ohio Department of Education			1,598,609	0	1,504,374	0
<i>(Received directly from the U. S. Department of Education)</i>						
Impact Aid	N/A	84.041	8,897	0	8,897	0
Troops to Teacher Grant			42,257	0	42,257	0
Total Department of Education			1,649,763	0	1,555,528	0
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE						
<i>(Passed Through Ohio Department of Education)</i>						
Learn and Serve America	SV-S4	94.004	9,955	0	15,448	0
Total Federal Assistance			<u>\$2,201,013</u>	<u>\$82,211</u>	<u>\$2,119,319</u>	<u>\$85,337</u>

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

NOTE B - NUTRITION CLUSTER

Non-monetary 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.

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

Xenia City School District
Greene County
578 East Market Street
Xenia, Ohio 45385

To the Board of Education:

We have audited the financial statements of Xenia City School District, Greene County (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated February 17, 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 1999-10329-001 and 1999-10329-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 17, 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 judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1999-10329-003 and 1999-10329-004.

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 February 17, 2000.

This report is intended for the information and use of management, the 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

February 17, 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**

Xenia City School District
Greene County
578 East Market Street
Xenia, Ohio 45385

To the Board of Education:

Compliance

We have audited the compliance of Xenia City School District, Greene 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 each of its major federal programs for the year ended June 30, 1999. The District's major federal programs are 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 each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit 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 each of its major federal programs 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. However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of District in a separate letter dated February 17, 2000.

This report is intended for the information and use of management, the 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

February 17, 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):	Nutrition Cluster (CFDA #'s 10.550, 10.553, 10.555, 10.559) Special Education Cluster (CFDA #'s 84.027, 84.173)
(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
OMB CIRCULAR A -133 § .505
JUNE 30, 1999
(Continued)

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

1999-10329-001	
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Ohio Rev. Code § 5705.41 (B), states that a political subdivision shall not expend funds until they have been appropriated. The review of expenditures for the month of November 1998 and April 1999 noted that the District had expenditures that exceeded the appropriations at the fund, function level, which is the legal level of budgetary control adopted by the Board of Education.

Fund expenditures which exceeded appropriations were as follows:

November 1998		Amount	Encumbered	Unfavorable
Fund		Appropriated	and	Variance
			Expended	
Permanent Improvement				
Support Services - administration	\$	6,500	\$18,289	\$11,789
Support Services - operation & maint		350,000	363,400	13,400
SchoolNet				
Regular Instruction		300,205	353,280	53,075
April 1999		Amount	Encumbered	Unfavorable
Fund		Appropriated	And	Variance
			Expended	
Permanent Improvement				
Support Services - administration	\$	16,000	\$17,875	\$1,875
Support Services - operation & maint		340,000	406,282	66,282
SchoolNet				
Special instruction - miscellaneous		300,205	366,816	66,612

In addition to the items referred to above, we noted other instances of noncompliance for the periods examined.

The District should monitor financial reports to ensure budgetary expenditures do not exceed appropriations at the legal level of control throughout the year. In instances where it appears appropriations are insufficient to meet projected needs, the Board of Education should pass a resolution to amend appropriations.

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

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

1999-10329-002	
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Ohio Rev. Code § 5705.39, states the total appropriation from each fund should not exceed the total estimated revenue.

The District had the following funds at June 30, 1999 that had appropriations in excess of estimated resources:

Fund	Appropriations	Estimated Resources	Variance
Title VI-B	\$ 338,441	\$ 234,555	(\$103,886)
Auxiliary	250,173	238,428	(11,745)

By having appropriations exceeding estimated resources, the District has budgeted a deficit in the above referenced funds. To help insure compliance with the above referenced section of Code and to help ensure the District does not incur a deficit fund balance, the District should review their appropriation resolution and any amendments to ensure that total appropriations are within the amounts certified as available by the County Budget Commission.

1999-10329-003	
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Student Activities Accounting

The District did not maintain proper supervision over student activities. The following weaknesses were noted in the Cheerleaders, Competition Cheerleaders and Dance Team Programs:

- Students participated in a fund raising activity for which the financial activity was not processed through the District’s accounting system;
- Advisor prepared a budget of estimated costs for the program, determined amount each student must pay, besides the \$40 participation fee approved by the Board of Education.
- Any additional funds needed during the year is determined by the advisor, and an unapproved amount determined and required to be paid by the students.
- Cash and checks were received from students for Booster Club activities and given to the advisor to deposit into the Booster Club checking account. No receipts were written.
- Purchases are made by the advisor which did not follow the School District’s policy and procedures.

These weaknesses allowed students being charged unauthorized fees, records not maintained, and a lack of accountability over revenue or expenditures.

The District should adopt a student activity manual which includes procedures for maintain records and forms that should be used for fund raisers. All monies collected by the advisor should have a receipt written and deposited with the District’s Treasurer. Students should only be required to pay Board authorized fees. Also, any additional procedures that the Board of Education deems necessary should be implemented.

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

1999-10329-004	
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Athletic and Student Activity Recordkeeping

Student activity clubs have fund raising projects to provide the monies needed for their activities. Uniform procedures, standard forms and documentation retention should be followed by all advisors. Fund raisers are being held by the various clubs in the District, but there is no accountability or no prior approval is required. The following inconsistencies were noted:

- receipts were not always written;
- a sales potential form was not completed for fund raisers;
- ticket accountability were not maintained for events selling admission tickets;
- monies collected were not deposited with the Treasurer office;
- program expenditures were being made using Booster's funds, and were not processed through the system;
- due care is not being used when posting participation fees to student rosters and purchase of season ticket to the ticket listing;
- students are performing work in lieu of paying participation fees for various sports, but no documentation is available showing the fees were paid;
- several ticket availability forms showed duplicate ticket numbers being issued and sold at sporting events.

The following procedures should be established and enforced in order to improve accountability over student activity record keeping.

- The Treasurer should establish standard forms to be used by the advisors for different types of fund raisers;
- The Board of Education should adopt a student activity manual after which a meeting should be held with all advisors and club treasurers discussing the policies and procedures in the manual, and how to complete the forms;
- receipts should be written for all money collected;
- sale potential forms should be submitted for approval before a project can be started, with a section to be completed and submitted at the end of each fund raiser;
- a ticket accountability form should be used by activity that sells tickets to a play, a musical or holds a raffle;
- a copy of the duplicate receipts, ticket accountability form, or one of the standard forms mention above should be included with the pay-in to the Treasurer's office;
- advisors should deposit all money collected;
- the athletic director should use due care when marking students participation fees paid and when listing season tickets purchased

These procedures could prevent possible loss of public funds, or inaccurate reporting of student activity accounts.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-10329-001	Ohio Rev. Code § 5705.41 (B)	No	Not Corrected; Repeated for current year



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XENIA CITY SCHOOL DISTRICT

GREENE 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**