

BEAVERCREEK CITY SCHOOL DISTRICT

Financial Statements

June 30, 2000

with

Independent Auditors' Report



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street,
1st Floor
Columbus, Ohio 43215
Telephone 614-466-4514
800-282-0370
Facsimile 614-728-7398
www.auditor.state.oh.us

Beavercreek City School District
3040 Kemp Road
Beavercreek, Ohio 45431

We have reviewed the Independent Auditor's Report of the Beavercreek City School District, Greene County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 1999 through June 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Beavercreek City School District is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

May 11, 2001

BEAVERCREEK CITY SCHOOL DISTRICT

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Financial Statements:	
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – All Governmental Fund Types and Similar Fiduciary Funds – For the Year Ended June 30, 2000	3-4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – All Proprietary Fund Types and Similar Fiduciary Funds – For the Year Ended June 30, 2000	5
Combined Statements of Receipts – Budget and Actual – For the Year Ended June 30, 2000	6
Combined Statement of Disbursements and Encumbrances Compared With Expenditure Authority –For the Year Ended June 30, 2000	7
Notes to the Financial Statements	8-27
Schedule of Expenditures of Federal Awards	28
Notes to the Schedule of Expenditures of Federal Awards	29
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30-31
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	32-33
Schedule of Findings and Questioned Costs	34-41

Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Independent Auditors' Report

Board of Education
Beavercreek City School District
2940 Dayton-Xenia Road
Beavercreek, Ohio 45434

We have audited the accompanying financial statements of the Beavercreek City School District (the District) as of and for the year ended June 30, 2000. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above, present fairly, in all material respects, the combined fund cash balances of the Beavercreek City School District as of June 30, 2000, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 1, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Clark, Schaefer, Nackett & Co.

Springfield, Ohio
March 1, 2001

BEAVERCREEK CITY SCHOOL DISTRICT

Greene County, Ohio

Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances
All Governmental Fund Types and Similar Fiduciary Funds
For the Year Ended June 30, 2000

	GOVERNMENTAL FUND TYPES				FIDUCIARY	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	FUND Expendable Trust	
Cash Receipts						
Local Taxes	\$27,987,059	\$ -	\$ 3,473,993	\$ 1,660,369	\$ -	\$33,121,421
Tuition and Fees	395,444	-	-	-	-	395,444
Transportation Fees	59,557	-	-	-	-	59,557
Earnings on Investment	509,505	-	-	355,924	867	866,296
Extracurricular Receipts	-	387,591	-	-	-	387,591
Miscellaneous Receipts	72,052	51,198	-	-	-	123,250
Total Local Receipts	29,023,617	438,789	3,473,993	2,016,293	867	34,953,559
Unrestricted Grants-in-Aid	13,507,120	43,504	341,167	173,818	-	14,065,609
Restricted Grants-in-Aid	135,645	920,493	-	-	-	1,056,138
Receipts on Behalf of District	4,550	-	-	-	-	4,550
Total State Receipts	13,647,315	963,997	341,167	173,818	-	15,126,297
Unrestricted Grants-in-Aid	163,142	-	-	-	-	163,142
Restricted Grants-in-Aid	-	797,222	-	-	-	797,222
Total Federal Receipts	163,142	797,222	-	-	-	960,364
Total Cash Receipts	42,834,074	2,200,008	3,815,160	2,190,111	867	51,040,220
Cash Disbursements						
Instruction:						
Regular	22,474,628	200,308	-	1,760,693	-	24,435,629
Special	3,306,570	271,364	-	-	-	3,577,934
Vocational	125,223	-	-	-	-	125,223
Other	746,950	27,537	-	-	-	774,487
Total Instruction	26,653,371	499,209	-	1,760,693	-	28,913,273
Support Services:						
Pupils	2,661,554	141,522	-	-	-	2,803,076
Instructional Staff	2,127,256	220,895	-	-	-	2,348,151
Board of Education	28,660	-	-	-	-	28,660
Administration	3,714,931	118,153	-	4,729	-	3,837,813
Fiscal	841,780	-	48,539	25,449	-	915,768
Business	204,453	-	-	85,245	-	289,698
Operation and Maintenance	5,239,668	-	-	607,163	-	5,846,831
Pupil Transportation	2,570,387	605	-	398,028	-	2,969,020
Central Services	707,203	40,618	-	-	-	747,821
Total Support Services	18,095,892	521,793	48,539	1,120,614	-	19,786,838
Community Services	830	684,067	-	-	-	684,897
Academic/Subject Oriented	144,070	249,791	-	-	-	393,861
Sports Oriented	492,552	178,188	-	-	-	670,740
Co-Curricular Activities	11,694	1,208	-	-	-	12,902
Total Extracurricular Activities	649,146	1,113,254	-	-	-	1,762,400

(Continued)

See accompanying notes to the financial statements.

BEAVERCREEK CITY SCHOOL DISTRICT

Greene County, Ohio

Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances
All Governmental Fund Types and Similar Fiduciary Funds
For the Year Ended June 30, 2000
(Continued)

	GOVERNMENTAL FUND TYPES				FIDUCIARY	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	FUND Expendable Trust	
Site Improvement	39,414	-	-	1,235,145	-	1,274,559
Architecture and Engineering	-	-	-	284,713	-	284,713
Building Acquisition & Construction	275	-	-	-	-	275
Building Improvement	-	-	-	4,769,478	-	4,769,478
Other Facilities Acq & Construction	-	-	-	174,706	-	174,706
Total Capital Outlay	39,689	-	-	6,464,042	-	6,503,731
Principal Retirement	-	-	2,066,399	-	-	2,066,399
Interest	-	-	2,332,009	-	-	2,332,009
Total Debt Service	-	-	4,398,408	-	-	4,398,408
Total Cash Disbursements	45,438,098	2,134,256	4,446,947	9,345,349	-	61,364,650
Excess of Cash Receipts Over(Under) Cash Disbursements	(2,604,024)	65,752	(631,787)	(7,155,238)	867	(10,324,430)
Other Financing Sources(Uses):						
Sale of Assets	200	-	-	-	-	200
Transfers-In	-	113,769	573,630	-	-	687,399
Advances-In	352,263	3,191	-	100,000	-	455,454
Refund of Prior Year Expenditures	19,160	93	-	104,562	-	123,815
Transfers-Out	(762,653)	-	-	-	-	(762,653)
Advances-Out	(103,191)	(45,221)	-	(300,000)	-	(448,412)
Refund of Prior Year Receipts	4,363	(2,945)	-	-	-	1,418
Total Other Financing Sources(Uses)	(489,858)	68,887	573,630	(95,438)	-	57,221
Excess of Cash Receipts and Other Financing Sources Over(Under) Cash Expenditures/Disbursements and Other Financing Uses	(3,093,882)	134,639	(58,157)	(7,250,676)	867	(10,267,209)
Fund Cash Balance, July 1, 1999-Restated	5,580,532	627,444	580,957	10,232,346	22,900	17,044,179
Fund Cash Balance, June 30, 2000 (A)	2,486,650	762,083	522,800	2,981,670	23,767	6,776,970
Reserve for Encumbrances	550,704	167,025	-	1,659,749	-	2,377,478

(A) - At June 30, 2000 the fund cash balance for the general fund contained \$1,758,513 in restricted cash associated with the budget stabilization account and the technology lease-purchase account.

BEAVERCREEK CITY SCHOOL DISTRICT

Greene County, Ohio

Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balances
All Proprietary Fund Types and Similar Fiduciary Fund Type
For the Year Ended June 30, 2000

	PROPRIETARY FUND TYPES		FIDUCIARY	Total (Memorandum Only)
	Enterprise	Internal Service	FUND	
			Agency Funds	
Operating Cash Receipts				
Food Services	\$ 1,130,411	\$ -	\$ -	\$ 1,130,411
Extracurricular Activities	-	-	257,484	257,484
Classroom Materials and Fees	176,895	-	-	176,895
Employee Insurance Fees	-	17,898	-	17,898
Miscellaneous	-	-	77,830	77,830
Total Operating Cash Receipts	1,307,306	17,898	335,314	1,660,518
Operating Cash Disbursements				
Personal Services	625,980	-	-	625,980
Benefits	172,628	-	-	172,628
Purchased Services	681	-	15,918	16,599
Supplies and Materials	706,601	-	54,550	761,151
Miscellaneous	-	-	293,526	293,526
Total Operating Cash Disbursements	1,505,890	-	363,994	1,869,884
Operating Income/(Loss)	(198,584)	17,898	(28,680)	(209,366)
Non-Operating Cash Receipts(Disbursements)				
Sale of Assets	234	-	-	234
State Grants	22,802	-	-	22,802
Federal Grants	120,377	-	-	120,377
Refund of Prior Year Expenditures	-	-	2,244	2,244
Transfers-In	75,254	-	-	75,254
Advances-Out	-	-	(7,042)	(7,042)
Total Other Financing Sources(Uses)	218,667	-	(4,798)	213,869
Net Excess of Cash Receipts Over(Under)				
Cash Disbursements	20,083	17,898	(33,478)	4,503
Fund Cash Balance, July 1, 1999	59,246	-	241,070	300,316
Fund Cash Balance, June 30, 2000	79,329	17,898	207,592	304,819
Reserve for Encumbrances	24,705	-	14,746	39,451

See accompanying notes to the financial statements.

BEAVERCREEK CITY SCHOOL DISTRICT

Greene County, Ohio

Combined Statement of Receipts - Budget and Actual
For the Year Ended June 30, 2000

<u>Fund Types/Funds:</u>	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Governmental Funds:			
General Fund	\$ 40,953,024	\$ 43,305,697	\$ 2,352,673
Special Revenue Funds	1,796,000	2,317,061	521,061
Debt Service Fund	4,850,491	4,388,790	(461,701)
Capital Project Funds	3,774,606	2,190,111	(1,584,495)
Proprietary Funds:			
Enterprise Funds	1,290,000	1,525,973	235,973
Internal Service Fund	-	17,898	17,898
Fiduciary Funds:			
Trust and Agency	<u>351,425</u>	<u>338,425</u>	<u>(13,000)</u>
Total (Memorandum Only)	<u>\$ 53,015,546</u>	<u>\$ 54,083,955</u>	<u>\$ 1,068,409</u>

See accompanying notes to the financial statements.

BEAVERCREEK CITY SCHOOL DISTRICT

Greene County, Ohio

**Combined Statement of Disbursements and
Encumbrances Compared with Expenditure Authority
For the Year Ended June 30, 2000**

Fund Types/Funds:	Prior Year	Current Year		Total	Actual 2000	Encumbrances	Variance	
	Carryover Appropriations	Appropriations	Appropriations	Appropriations	Disbursements	Outstanding at June 30, 2000	Total	Favorable (Unfavorable)
Governmental Funds:								
General Fund	\$ 2,171,002	\$ 44,190,178	\$ 46,361,180	\$ 46,299,579	\$ 46,850,283	\$ 550,704	\$ (489,103)	
Special Revenue Funds	106,176	1,954,264	2,060,440	2,182,425	2,349,450	167,025	(289,010)	
Debt Service Fund	-	4,446,922	4,446,922	4,446,947	4,446,947	-	(25)	
Capital Project Funds	7,914,879	1,715,252	9,630,131	9,645,349	11,305,098	1,659,749	(1,674,967)	
Proprietary Funds:								
Enterprise Funds	7,752	1,422,884	1,430,636	1,505,890	1,530,595	24,705	(99,959)	
Internal Service Fund	-	-	-	-	-	-	-	
Fiduciary Funds:								
Trust and Agency	15,603	370,783	386,386	371,036	385,782	14,746	604	
Total (Memorandum Only)	\$ 10,215,412	\$ 54,100,283	\$ 64,315,695	\$ 64,451,226	\$ 66,868,155	\$ 2,416,929	\$ (2,552,460)	

See accompanying notes to the financial statements.

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Description of the Entity

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

The District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the District's ten instructional/support facilities staffed by approximately 495 certificated and 317 non-certified full time personnel who provide services to 6,272 students and other community members.

B. Reporting Entity

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

Saint Luke Elementary and Carroll High are Parochial Schools that are operated through the Cincinnati Catholic Diocese. Current State legislation provides funding to parochial schools, as well as the community and Montessori schools within the District boundaries. These monies are received and disbursed on behalf of the parochial school by the treasurer of the District, as directed by the parochial school. The activity of these State monies by the District is reflected in a special revenue fund for financial reporting purposes.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits to or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes for the organization. The District has no component units.

The District is associated with the Southwestern Ohio Education Purchasing Cooperative and the Greene County Career Center, which are defined as jointly governed organizations. These organizations are discussed in Note 13 to the financial statements.

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2000

C. Basis of Accounting

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

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

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use.

The District classifies its funds into the following types:

Governmental Fund Types

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

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2000

Capital Projects Funds

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

Proprietary Fund Types

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

Enterprise Funds

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

Internal Service Fund

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

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The Districts fiduciary funds include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

E. Budgetary Process

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

Tax Budget

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

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2000

Estimated Resources

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported on the Combined Statement of Receipts -Budget and Actual reflect the amounts in the final amended certificate issued during fiscal year 2000.

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

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control for general fund only. All other funds are budgeted at the fund level. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriations or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, there were no supplemental appropriations were legally enacted. The budget figures, which appear on the Combined Statements of Disbursements and Encumbrances Compared with Expenditure Authority, represent the final appropriation amounts.

As discussed in Note 17, the District had noncompliance issues with several budgetary laws during fiscal year 2000, including not adopting its annual appropriation measure for fiscal year 2000 until June 29, 2000, having proposed appropriations on June 29, 2000 which exceeded estimated resources in several funds and having actual expenditures plus encumbrances exceeding in all funds during the course of the year.

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2000

Encumbrances

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

Lapsing of Appropriations

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

F. Cash and Cash Equivalents

To improve cash management, all cash received by the District Treasurer is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through District record. Investments are stated at cost, which approximates market value. Investment earnings are allocated as authorized by State statute based upon District policy.

G. Intergovernmental Receipts

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

Entitlements

General Fund

State Foundation Program
School Bus Purchase
State Property Tax Relief
Federal Impact Aid

Debt Service Fund

State Property Tax Relief

Capital Project Funds

State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Title VIB
Title II
Drug Free Schools and Communities
Title I
Title VI
Early Childhood
Title VIR
Professional Development

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2000

Educational Management Information System
Data Communications
School Net Professional Development
Video Distance Learning
Ohio Reads

Reimbursable Grants

General Fund

Driver Education

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 31.5 percent of governmental fund revenue during the 2000 fiscal year.

H. Interfund Transactions

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

I. Property, Plant and Equipment

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

J. Unpaid Vacation and Sick Leave

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

K. Total Columns on Financial Statements

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

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2000

2. RESTATEMENT OF FUND BALANCES / PRIOR PERIOD ADJUSTMENT:

For fiscal year 2000, the District has decided to prepare its annual financial report on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. As the District issued financial statements, which were in accordance with generally accepted accounting principals for fiscal year 1999, the individual fund balances at June 30, 1999 must be restated on the cash basis.

In addition, the District did not properly record an expenditure related to retirement in previous periods. This resulted in the ending fund balance of the general fund to be overstated. The beginning fund balance amount for fiscal year 2000 will be adjusted so it properly reflects the expenditure as a prior period expense and therefore, a reduction to the general fund's beginning fund balance amount reported.

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Project Funds</u>	<u>Expendable Trust Fund</u>
Fund Balance at June 30, 1999 as previously reported	\$ 2,865,558	\$ 514,902	\$ 851,150	\$ 6,816,157	\$ 22,900
Adjustment for accrual entries	2,934,985	112,542	(270,193)	3,416,189	-
Adjustment for correction of prior period error	<u>(220,011)</u>	-	-	-	-
Fund Balance at June 30, 1999 as restated	<u>\$ 5,580,532</u>	<u>\$ 627,444</u>	<u>\$ 580,957</u>	<u>\$ 10,232,346</u>	<u>\$ 22,900</u>

	<u>Enterprise Funds</u>	<u>Internal Service Fund</u>	<u>Agency Funds</u>
Fund Balance at June 30, 1999 as previously reported	\$ (94,892)	\$ 2,232	\$ -
Adjustment for accrual entries	<u>154,138</u>	<u>(2,232)</u>	<u>241,070</u>
Fund Balance at June 30, 1999 as restated	<u>\$ 59,246</u>	<u>\$ -</u>	<u>\$ 241,070</u>

3. EQUITY IN POOLED CASH AND INVESTMENTS:

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2000

designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

Interim monies may be invested in the following obligations:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2000

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

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

During fiscal year 2000, the District's investments were limited to United States Treasury Notes and repurchase agreements. During the fiscal year, all investments of the District had a maturity of two years or less.

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

Deposits

At fiscal year end, the carrying amount of the District's deposits was \$2,833,227 and the bank balance was \$3,465,338. \$301,692 of the bank balance was covered by federal depository insurance, and \$3,163,646 was collateralized by the financial institution's public entity deposit pool. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments

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

	Category <u>3</u>	Carrying <u>Value</u>	Market <u>Value</u>
Repurchase Agreements	<u>\$ 4,248,562</u>	<u>\$ 4,248,562</u>	<u>\$ 4,248,562</u>

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2000

4. PROPERTY TAXES:

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

Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value. The assessed values upon which the fiscal year 2000 taxes were collected are:

	1999 Second- Half Collections		2000 First- Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$710,014,940	68.0%	\$722,562,620	68.0%
Commercial/Industrial	204,482,850	19.6%	216,521,240	20.4%
Public Utility Personal	52,138,770	5.0%	49,285,030	4.6%
Tangible Personal Property	<u>77,012,015</u>	<u>7.4%</u>	<u>74,719,721</u>	<u>7.0%</u>
Total Assessed Value	<u>\$1,043,648,575</u>	<u>100.0%</u>	<u>\$1,063,088,611</u>	<u>100.0%</u>
Tax Rate per \$1,000 of Assessed Valuation		\$42.00		\$42.60

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

The District receives property taxes from Greene County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000 are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

5. RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2000 the District contracted with Nationwide Insurance Company for general liability insurance. There is a \$1,000 deductible with a one hundred percent blanket, all risk policy. Nationwide Insurance Company covers the boiler and machinery with a \$1,000 deductible and a \$39,092,500 limit.

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2000

Professional liability is protected by Nationwide Insurance Company with a \$2,000,000 single occurrence limit and \$5,000,000 aggregate and no deductible. Vehicles are covered by Nationwide Insurance Company and hold a \$250 deductible for comprehensive and \$1,000 for collision. Automobile liability has a \$2,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

6. WORKERS' COMPENSATION:

For fiscal year 2000 the District participated in the Southwestern Ohio Educational Purchasing Cooperative's (OEPC) insurance purchasing pool for workers' compensation. The intent of the pool is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the pool. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium to the State based on the rate for the pool rather than its individual rate. Total savings are calculated and each participant's individual performance is compared to the overall savings percentage of the pool. A participant will then either receive money from or be required to contribute to the pool.

This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the pool. Participation in the pool is limited to districts that can meet the pool's selection criteria. The firm of CompManagement Inc. provides administrative, cost control and actuarial services to the pool.

7. DEFINED BENEFIT PENSION PLANS:

A. School Employees Retirement System

Plan Description: The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to SERS, 45 North Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Funding Policy: Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$1,014,072, \$949,116, and \$836,544, respectively.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), which is a cost-sharing, multiple-employer public employee retirement system.

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2000

STRS Ohio is a statewide retirement plan for certified teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency wholly controlled, managed and supported in whole, or in part, by the state or any political subdivision thereof. Any member who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age may retire. The maximum annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest years' salaries. The annual allowance is calculated by using a base percentage of 2.1% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached.

Legislation passed in April 2000 with a July 1999 effective date provided an adjustment for retirees whose benefits have not kept pace with the rate of inflation. The legislation also changed the formula for calculating the formula benefit. The formula benefit increased to 2.2% from 2.1% per year for all years up to 30 years. For members with 35 or more years of earned Ohio service, the first 30 years will be calculated at 2.5% instead of 2.2%. For earned Ohio service over 30 years, the formula will remain as current law, which provides an escalating formula of 2.5% for the 31st year, 2.6% for the 32nd, 2.7% for the 33rd year, etc., until 100% of final average salary is reached.

Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Full-time faculty with less than five years of service credit have a one-time option to select an ARP instead of STRS Ohio. Employees hired after the ARP is established have 90 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or other Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Retirement benefits are annually increased by the greater of the amount of the change on the Consumer Price Index (CPI) or the cumulative CPI increases since retirement, less previous cost-of-living increases, up to a maximum of 3% of the original base benefit. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, drugs and partial reimbursement of monthly Medicare premiums.

A member with five or more years' credited service who becomes disabled is entitled to a disability benefit. Survivor benefits are available to eligible spouses and dependents of active members who die before retirement. A death benefit of \$1000 is payable to the beneficiary of

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2000

each deceased retired member. Additional death benefit coverage of \$1000 of \$2000 can be purchased. Various other benefits care available to members' beneficiaries.

Benefits are established by Chapter 3307, Revised Code.

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2000, were 9.3% of covered payroll for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$3,133,860, \$2,968,920, and \$2,824,248, respectively.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2000 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

8. POST EMPLOYMENT BENEFITS:

State Teachers Retirement System of Ohio (STRS Ohio) provides comprehensive healthcare benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code (R.C.), the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. The R.C. grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses and dependents. 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.

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For fiscal year ended June 30, 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion on June 30, 2000. The Health Care Reserve Fund allocation for the year ended June 30, 2001, and after, will be 4.5 percent of covered payroll. For the District, this amount equaled \$1,790,775 during the 2000 fiscal year.

For the year ended June 30, 2000, net health care costs paid by STRS Ohio were \$283,137,000. There were 99,011 eligible benefit recipients.

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2000

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, the allocation rate is 8.45 percent. 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 2000, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including the surcharge, was \$824,415 for fiscal year 2000.

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 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits of \$252.3 million. The number of benefit recipients currently receiving health care benefits is approximately 50,000.

9. OTHER EMPLOYEE BENEFITS:

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who are not on a twelve month contract do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Certificated employees are entitled to a severance payout upon retirement equal to twenty-six percent of accrued, but unused, sick leave days not to exceed 84 days. Classified employees receive twenty five percent of accrued, but unused, sick leave days not to exceed 200 days.

B. Insurance Benefits

Employee medical benefits are provided through United Health Care for certificated employees and through Anthem Community Choice for classified employees. The employees share the cost of the monthly premium with District for single and family plans. The District pays 90 percent of the premiums for certificated and a scaled percentage based on hours worked for classified employees.

The District provides life insurance to employees through Ohio National Life Insurance.

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2000

10. CAPITAL LEASES:

In prior years, the District has entered into lease agreements for various equipment including computer, copiers and a telephone system. In fiscal year 2000, the District entered into an agreement to have an administrative office building constructed with the District making annual rental payments over the next 25 years. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. Capital lease payments are recorded in the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2000.

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2001	\$ 1,017,044
2002	985,089
2003	986,151
2004	269,165
2005	225,430
2006-2010	1,162,875
2011-2015	1,190,563
2016-2020	1,100,510
2021-2025	<u>1,786,150</u>
Total Minimum Lease Payments	\$ 8,722,976
Less: Amount Representing Interest	<u>3,338,622</u>
Present Value of Minimum Lease Payments	<u>\$ 5,384,354</u>

11. LONG TERM OBLIGATIONS:

Changes in long-term obligations of the District during fiscal year 2000, were as follows:

	<u>Principal</u> <u>Outstanding</u> <u>6/30/99</u>	<u>Additions</u>	<u>Deletions</u>	<u>Principal</u> <u>Outstanding</u> <u>6/30/00</u>
School Improvement Bonds 1996 – 3.6% to 5.77%	\$ 39,130,000	\$ -	\$ 1,310,000	\$ 37,820,000
Energy Conservation Bonds 1998 – 4.00% to 4.95%	815,000	-	85,000	730,000
EPA Loan 1993 – 0.00%	697,325	-	105,616	591,709
Energy Conservation Bonds 1989 – 6.00%	24,856	-	24,856	-
Energy Management Loan 1995 – 5.48%	<u>1,663,432</u>	<u>-</u>	<u>240,927</u>	<u>1,422,505</u>
Total Long-Term	<u>\$ 42,330,613</u>	<u>\$ -</u>	<u>\$ 1,766,399</u>	<u>\$ 40,564,214</u>

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2000

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

In 1996, \$42 million of school improvement bonds were issued for improving and adding to the Districts school buildings.

\$900,000 of energy conservation bonds and a loan of approximately \$2.5 million were issued in 1998 and 1995, respectively, for the purpose of remodeling schools in the District, and thereby improving energy consumption.

In fiscal year 1992 and 1993, the District received \$152,128 and \$1,168,991 in interest free loans from the U.S. Environmental Protection Agency (EPA) for asbestos removal from buildings throughout the District.

Outstanding general obligations bonds and notes are direct obligations of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the District.

Principal and interest requirements to retire long-term debt obligations of the District at June 30, 2000 are as follows:

Fiscal Year Ending June 30,	School Improvement Bonds	Energy Conservation Bonds	EPA Loans	Energy Conservation Loan	Total
2001	\$ 3,702,119	\$ 124,166	\$ 73,231	\$ 327,186	\$ 4,226,704
2002	3,802,826	125,388	73,231	327,185	4,328,630
2003	2,364,573	126,302	69,424	326,615	2,887,487
2004	2,522,678	126,602	64,779	327,188	3,041,247
2005	2,593,582	121,615	64,779	327,491	3,107,163
2006-2010	14,657,059	252,515	246,265	-	15,155,839
2011-2015	15,326,902	-	-	-	15,326,902
2016-2020	18,133,962	-	-	-	18,133,962
2021	4,021,435	-	-	-	4,021,435
Total	<u>\$ 67,125,136</u>	<u>\$ 876,588</u>	<u>\$ 591,709</u>	<u>\$ 1,635,665</u>	<u>\$ 70,229,369</u>

12. SHORT-TERM OBLIGATION:

Notes payable activity for the District for the year ended June 30, 2000 was as follows:

	Principal Outstanding June 30, 1999	Additions	Deletions	Principal Outstanding June 30, 2000
Tax Anticipation Note 1997 - 5.02%	\$ 1,000,000	\$ -	\$ 300,000	\$ 700,000

Tax anticipation notes are being repaid with general fund tax revenues being credited to the debt service fund.

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2000

13. JOINTLY GOVERNED ORGANIZATIONS:

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

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

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2000, the District paid \$5,265 for testing and training services, as well as \$3,011 in membership fees to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Cooperative, Robert Brown, who serves as Director, 1831 Harshman Road, Dayton, Ohio 45424.

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 district's elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to The Greene County Career Center at 2960 West Enon Road, Xenia, Ohio 45385.

14. INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan Trust (EPC) is a group purchasing pool consisting of public school districts that are members of the Southwestern Ohio Educational Purchasing Cooperative. The purpose of a group purchasing pool is for members to pool funds or resources to purchase group insurance products to provide health benefits to participants at a lower rate than if the individual districts acted independently.

Each district pays a monthly premium to the Trust Fund for insurance coverage which is provided by Anthem Community Choice or United Health Care. Districts may also contribute monthly to the Trust Fund for dental benefits provided through a self-funded dental plan administered by CoreSource. The Plan is governed by a Board of Trustees elected in accordance with the Trust Agreement and voted on by participating EPC member districts. Financial information can be obtained from Barbara Coriell, who serves as administrator at EPC Benefits Office, 1831 Harshman Road, Dayton, OH 45424.

15. STATE SCHOOL FUNDING DECISION:

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program" which provides significant amounts of monetary support to the District. For the fiscal year ended June 30, 2000 the District received \$10,608,683 of school foundation support for its general fund.

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2000

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State 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 they are not sufficiently responsive to constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the Ohio Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven major areas warrant further attention, study, and development by the General Assembly..., including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

16. CONTINGENCIES:

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2000.

B. Litigation

The District is party to several legal proceedings. The District's management is of the opinion that ultimate disposition of the majority of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the District. However, there are two pending lawsuits, which if ruled in favor of the plaintiff, could materially affect the financial condition of the District. These cases are in their infancy stage with no court date set. District legal counsel cannot reasonably predict an outcome to these cases since they are so preliminary.

17. ACCOUNTABILITY:

The District is required to disclose all instances of violations of finance related legal provisions. During fiscal year 2000 the District was found to be in violation of the following provisions.

Ohio Administrative Code Section 117-2-03(B) requires, as of the fiscal year that June 30, 1996, all school districts to prepare their annual financial report (but not necessarily account) in accordance

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2000

with generally accepted accounting principles (unless a waiver has been granted by the Auditor of State). The District did not prepare its annual financial report in accordance with generally accepted accounting principles, nor did it receive a waiver from the Auditor of State granting permission to prepare its annual financial report on a cash basis.

Ohio Revised Code Section 5705.10 provides that money paid into a fund shall be used only for the purpose for which the fund was established. During fiscal year 2000, the District paid general fund debt obligations (EPA Loans and Energy Management Debt) with monies paid into the debt service fund, which were collected to repay the School Improvement Bond Issue approved by the voters of the District in 1996. Adjustments were made to these statements, as well as the District ledgers, to record the transaction between the general fund and the debt service fund for general fund debt, principal and interest, totaling \$552,800.

Ohio Revised Code Section 5705.38 requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure, it may adopt a temporary appropriation measure for meeting the ordinary expenses until October 1st. The District did not pass a permanent appropriation measure until June 29, 2000 for fiscal year 2000, nor did the District submit the temporary appropriation measure approved by the Board of Education in June, 1999 to the County Budget Commission as required.

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The District had actual expenditures plus encumbrances that exceeded appropriations for all funds, except for the expendable trust and student activities funds.

Ohio Revised Code Sections 5705.36 and 5705.39 states the total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certification of estimated resources. During fiscal year 2000, the District had permanent appropriations exceeding estimated resources in the following funds: Professional Development, School Net-Plus, Ohio Reads, State Grants, Title VIB, Title VIR and Lunchroom.

In August 1998, the District entered into a lease-purchase agreement with a local bank for the purpose of obtaining technology equipment for the various buildings throughout the District. The value of the agreement was \$3 million. The agreement required the District to, among other things, spend the entire amount of the agreement on equipment within 18 months of the agreement date, or apply the remainder to the District's payments. As of March 31, 2000 the District had approximately \$3 million in the technology account and as of June 30, 2000 the balance in the account was approximately \$1 million. The District did purchase technology equipment and make rental payments during this period, however, it was decided by the former Treasurer to leave the amount in the technology account intact to provide additional investment earnings. There is minimal documentation at the District to support the technology equipment purchases charged against the agreement. The District appears to have violated the agreements of the lease-purchase it entered into.

18. SET-ASIDE CALCULATIONS AND FUND RESERVES:

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

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2000

year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside cash balance as of June 30, 2000	\$ -	\$ -	\$ 758,513	\$ 758,513
Current year set-aside amount	949,911	949,911	-	1,899,822
Current year offsets	(415,093)	(415,093)	-	(830,186)
Qualifying Disbursements	<u>(1,104,311)</u>	<u>(2,535,708)</u>	-	<u>1,069,636</u>
Total	\$ <u>(569,493)</u>	\$ <u>(2,000,890)</u>	\$ <u>758,513</u>	\$ <u>(1,811,870)</u>
Cash balance carried forward to fiscal year 2001	\$ -	\$ -	\$ <u>758,513</u>	

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

In addition to the budget stabilization account noted above, the District has restricted cash in the general fund associated with a lease-purchase arrangement it entered into to obtain technology equipment. This cash is being maintained in an account at the lending institution and can be drawn down by the District as qualifying expenditures are made. The restricted general fund cash balance at June 30, 2000, includes:

Budget stabilization account	\$ 758,513
Technology account	<u>1,000,000</u>
Total restricted general fund balance as of June 30, 2000	\$ <u>1,758,513</u>

19. SUBSEQUENT EVENT

In February 2001, the voters within the District approved a five-year, 9.9 mill emergency operating levy which will provide \$11.1 million annually, in additional local tax receipts. The collection of these additional taxes will begin in calendar year 2002, with distribution of taxes to the District beginning in the second half of fiscal year 2002.

BEAVERCREEK CITY SCHOOL DISTRICT

Schedule of Federal Award Expenditures
For the Year Ended June 30, 2000

Federal Grantor/ Pass Through Grantor Program Title	CFDA #	Pass Through Entity Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education</i>						
Nutritional Cluster:						
Food Distribution Program	10.550	NN-N1	-	81,962	-	84,644
National School Lunch Program	10.555	04-PU	<u>120,377</u>	<u>-</u>	<u>120,377</u>	<u>-</u>
Total U.S. Department of Agriculture - Nutrition Cluster			<u>120,377</u>	<u>81,962</u>	<u>120,377</u>	<u>84,644</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Direct Program</i>						
Impact Aid Grant	84.041	N/A	163,142	-	163,142	-
<i>Passed Through Ohio Department of Education</i>						
Special Education Cluster						
Title VI-B Grant	84.027	6B-SF	377,795	-	420,516	-
Preschool Disabilities Grant	84.173	PG-S1	<u>29,535</u>	<u>-</u>	<u>24,340</u>	<u>-</u>
Total Special Education Cluster			407,330	-	444,856	-
Eisenhower Grant	84.281	MS-S1	18,896	-	24,593	-
Title I Grant	84.010	C1-S1	232,134	-	197,090	-
Title VI - Innovative Education Grant	84.298	C2-S1	45,893	-	33,326	-
Drug Free Schools and Communities	84.186	DR-S1	31,782	-	45,495	-
Title VI-R - Class Size Reduction Grant	84.340	CRS100	<u>61,187</u>	<u>-</u>	<u>54,388</u>	<u>-</u>
Total U.S. Department of Education			<u>960,364</u>	<u>-</u>	<u>962,890</u>	<u>-</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>1,080,741</u>	<u>81,962</u>	<u>1,083,267</u>	<u>84,644</u>

See notes to the schedule of expenditures of federal awards.

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Schedule of Federal Award Expenditures
For the Year Ended June 30, 2000

1. Significant Accounting Policies:

The accompanying schedule of federal award expenditures is a summary activity of all federal awards programs of the Beavercreek City School District. The schedule has been prepared on the cash basis of accounting.

2. 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, 2000 the District had no significant food commodities in inventory.

3. Other General Fund Grants:

The Impact Aid Grant received directly from the U.S. Department of Education is accounted for in the District's General Fund. Cash receipts from the U.S. Department of Education are commingled with local and state cash receipts. It is assumed federal monies are expended first.

Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

Board of Education
Beavercreek City School District
2940 Dayton-Xenia Road
Beavercreek, Ohio 45434

We have audited the financial statements of the Beavercreek City School District (the District), as of and for the year ended June 30, 2000 and have issued our report thereon dated March 1, 2001, wherein we noted that the District prepared its financial statements on the basis of accounting formerly prescribed by the Auditor of State which is a comprehensive basis of accounting other than generally accepted accounting principals. 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 is described in the accompanying schedule of findings as items 2000-53750-001 through 007. We also noted certain immaterial instances on noncompliance that we have reported to management of the District in a separate letter dated March 1, 2001.

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. A reportable condition is described in the accompanying schedule of findings as item 2000-53750-008 through 012.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions noted above, we consider items 2000-53750-008 and 2000-53750-009 to be material weaknesses. We also noted other matters involving the internal control over financial reporting, that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 1, 2001.

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

Clart, Schaefer, Hackett & Co.

Springfield, Ohio

March 1, 2001

Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133

Board of Education
Beavercreek City School District
2940 Dayton-Xenia Road
Beavercreek, Ohio 45434

Compliance

We have audited the compliance of the Beavercreek City School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings as item 2000-53750-013.

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. Our consideration of the internal control over compliance 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 do not believe the reportable condition described above is a material weakness.

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

Clark, Schaefer, Abckett & Co.
Springfield, Ohio
March 1, 2001

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

BEAVERCREEK CITY SCHOOL DISTRICT
JUNE 30, 2000

1. SUMMARY OF AUDITORS' 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)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported 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?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	Yes
(d)(1)(vii)	Major Programs (list):	Title XI(B) CFDA # 84.027
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding Number	2000-53750-001
----------------	----------------

Ohio Administrative Code Section 117-2-03(B) requires, as of the fiscal year ended June 30, 1996, all school districts to prepare their annual financial reports (but not necessarily account) in accordance with generally accepted accounting principals, unless a wavier has been received from the Auditor of State. The District prepared its fiscal year 2000 annual financial report on a cash basis, a basis of accounting other than generally accepted accounting principals. The District did not receive the necessary waiver from the Auditor of State to prepare its financial report on the cash basis.

The District should comply with the Ohio Administrative Code and prepare its annual financial report in accordance with generally accepted accounting principals to ensure all significant assets, liabilities and fund equities are disclosed in their annual report.

Finding Number	2000-53750-002
----------------	----------------

Ohio Revised Code Section 5705.38 requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure, it may adopt a temporary appropriation measure for meeting the ordinary expenses until October 1st.

The District did not pass a permanent appropriation measure until June 29, 2000 for fiscal year 2000. In addition, the temporary appropriation measure passed by the District in June 1999 was never submitted to the County Budget Commission as required by law.

The District should adopt its annual appropriation measure in accordance with the stipulations and timeframe established by the Revised Code.

Finding Number	2000-53750-003
----------------	----------------

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

At June 30, 2000 the District had actual expenditures plus encumbrances, which exceeded appropriations in all funds except for the general, non-expendable trust and student activity funds. In addition, prior to the amended appropriation measures passed in June 2000, expenditures plus encumbrances in all funds, except for the non-expendable trust fund, exceeded available appropriations.

The District should implement adequate budgetary and monitoring controls in its purchasing cycle to ensure appropriations are available prior to obligations and expenditures being made. All amended appropriation measures should be legally enacted before expenditures and encumbrances exceed the appropriation level, not after-the-fact.

Finding Number	2000-53750-004
----------------	----------------

Ohio Revised Code Section 5705.36 and Section 5705.39 states the total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certification of estimated resources.

During fiscal year 2000, the District had permanent appropriation exceeding estimated resources in the following funds: Professional Development, School Net-Plus, Ohio Reads, State Grants, Title VIB, Title VIR, and Lunchroom.

The District should implement adequate budgetary and monitoring procedures to ensure appropriations related to any fund do not exceed estimated resources.

Finding Number	2000-53750-005
----------------	----------------

In August 1998, the District entered into a lease-purchase agreement with a local bank for the purpose of obtaining technology equipment for the various buildings throughout the District. The value of the agreement was \$3 million. The agreement required the District to, among other things, spend the entire amount of the agreement on equipment within 18 months of the agreement date, or apply the remainder to the District's payments. As of March 31, 2000 the District had approximately \$3 million in the technology account and as of June 30, 2000 the balance in the account was approximately \$1 million. The District did purchase technology equipment and make rental payments during this period, however, it was decided by the former Treasurer to leave the amount in the technology account intact to provide additional investment earnings. There is minimal documentation at the District to support the technology equipment purchases charged against the agreement.

The District appears to have violated the agreements of the lease-purchase it entered into.

The District should work with its legal counsel and the banking institution to determine what action should be taken by the District to comply with the lease-purchase agreement. Based on the provisions of the agreement, it would appear the District would need to apply at least \$1 million against future rental payments. If this is not what is desired, the District should work with the bank to amend the agreement to both parties mutual satisfaction.

Finding Number	2000-53750-006
----------------	----------------

Ohio Revised Code Section 5705.10 provides that money paid into a fund shall be used only for the purpose for which the fund was established.

During fiscal year 2000, the District paid general fund debt obligations (EPA Loans and Energy Management Debt) with monies paid into the debt service fund, which were collected to repay the School Improvement Bond Issue approved by the voters of the District in 1996. Adjustments were made to these statements, as well as the District ledgers, to record the transaction between the general fund and the debt service fund for general fund debt, principal and interest, totaling \$552,800.

The District should implement the appropriate management controls to ensure obligations are paid from the appropriate fund and account.

Finding Number	2000-53750-007
----------------	----------------

Ohio Revised Code Section 5705.412 requires the treasurer, superintendent and president of the board of education to certify that adequate revenues will be available to maintain all personnel, programs and services essential to the provision of an adequate educational program for a specified number of days.

During fiscal year 2000, the District did not issue the required 412 certificates for any of the expenditures for which they were required, including annual appropriation measures, negotiated agreements, and contracts for benefits.

The District should ensure 412 certificates are issued in all instances required by State law.

Finding Number	2000-53750-008
----------------	----------------

During fiscal year 2000, the District entered into a lease-purchase agreement to have a new administrative building constructed. Although the construction costs associated with the building are not obligations of the District, entries were made in the accounting system to record the proceeds of debt issued to finance the construction, as well as all the construction expenditures of the project. The District recorded the activity to keep track of project costs, as it was responsible for any cost overruns incurred by the terms of the lease-purchase contract. While keeping track of the cost associated with the project represented appropriate financial management, recording the transactions resulted in material misstatement of cash receipts and disbursements reported for the Capital Projects Fund-Type, which required adjustment during the audit. The manner in which the District recorded the financial activity associated with the project will show twice the amount of project expenditures over the life of the agreement. Once during the construction period and then again over the next twenty years as the lease payments are being made.

The District's cash basis accounting system should include only valid cash receipts and disbursements of the District during the appropriate fiscal period. The District should track all other projects or obligations outside the accounting system.

Finding Number	2000-53750-009
----------------	----------------

During fiscal year 2000, the District routinely used adjusting journal entries to record and adjust financial transactions in the accounting system. Treasurer approval was not required before these adjusting journal entries were inputted into the financial system. The frequent use of adjusting journal entries, and lack of appropriate approval, led to improper journal entries being posted to the financial system and financial activity for the period being improperly reported. Adjustments were made during the audit to correct the financial activity reported for the District for the year.

The use of journal entries to post and correct financial transactions should be limited to specified instance to ensure the proper accounting trail exists. In addition, all journal entries should be reviewed and approved by the Treasurer before they are entered into the financial system.

Finding Number	2000-53750-010
----------------	----------------

Several deficiencies with the District's purchasing system were noted for the audit period. The District utilizes an on-line purchase order requisition approval system to initiate a purchase order, however, the system does not provide adequate controls to ensure the appropriate supervisor had approved the requisition prior to the purchase order being generated. The District did not have adequate compensating controls in place to compensate for the lack of secured on-line approvals. Also, the system gave users the ability to change the amounts of the purchase orders, the accounts the purchase orders were charged against, and the vendor to which the purchase order was made out to, after the purchase order had been generated and charged by the system. These changes were made without management edit reports being automatically generated to inform management of such changes.

In addition, during the audit period, the system controls that automatically prevents purchase orders from being generated if the necessary appropriations were not available in the account to be charged, were disabled. This resulted in purchase orders being generated being processed regardless of appropriations available in the account to be charged.

These deficiencies could have allowed improperly approved purchase orders to be generated, as well as having purchase order information to be altered after it was properly approved, without informing the appropriate level of management.

Appropriate internal controls should be implemented in the purchasing system. If adequate system controls cannot be implemented in the on-line system, the District should institute appropriate compensating manual controls to ensure appropriate approvals have been made and the financial information regarding purchases is not changed once the purchase orders have been approved. The District should re-establish the system controls designed to prevent purchase orders from being charged against accounts that do not have available appropriations.

Finding Number	2000-53750-011
----------------	----------------

The District does not have proper segregation of duties related to its payroll cycle and no review procedures are in place to ensure financial information generated through the payroll system is accurate before payroll checks are run. As a result, inappropriate payroll expenditures and payroll errors could occur without timely detection by management.

The District should either properly segregate the responsibilities of the payroll cycle or institute appropriate management reviews to ensure the accuracy of financial information processed through the payroll system. Such reviews could include a comparison of payroll reports to predetermined outcomes for reasonableness, review of changes to payroll master file information, and/or reviews of payroll information in excess of expected amounts (i.e. overtime, new employees, rate changes, etc.). These reviews should be submitted to the appropriate level of management for their approval.

Finding Number	2000-53750-012
----------------	----------------

A review of the financial system's access authorizations indicate that many individuals, both in the Treasurer's Office and in other administrative offices, at the District have complete access to the financial system and can perform all level of transactions and adjustments available through the system. This wide access to processing transactions increases the risk that inappropriate entries could be made or appropriate transactions are processed improperly.

Complete access to the accounting system should be limited to the Treasurer and his designees. Individuals outside the Treasurer's Office should only be permitted "look-up" access to the information contained in the financial system. In addition, as the Treasurer is ultimately responsible for the financial reporting of the District, the Treasurer should monitor and approve any changes in an individual's access to the financial system. This monitoring could be accomplished if the system could automatically generate a management report to indicate changes granted in the level of access granted associated with the financial system.

3. FINDINGS RELATED TO THE DISTRICT'S FEDERAL AWARDS

Finding Number	2000-53750-013
----------------	----------------

The Title VI(B) federal program requires a school district to use grant funds for the excess costs of providing educational and other related services to children with disabilities. A district meets this requirement if it has spent at least the same amount for the education of children with disabilities as it did for all pupils.

This requirement is reported to the Ohio Department of Education using an EMIS report showing the number of students with disabilities and the associated educational and other costs. The District could not support the numbers on the state report used for the fiscal year 2000 Title VI(B) program.

The District should institute adequate reporting and monitoring procedures to ensure all reports submitted to the Department of Education are accurate and supportable to ensure funding levels granted are appropriate and can be maintained by the District.

4. SCHEDULE OF PRIOR AUDIT FINDINGS

None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

BEAVERCREEK CTY 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
MAY 22, 2001**