

BROOKVILLE LOCAL SCHOOL DISTRICT

Financial Statements

June 30, 1999



PLATTENBURG & ASSOCIATES, INC.

CERTIFIED PUBLIC ACCOUNTANTS
CINCINNATI/DAYTON



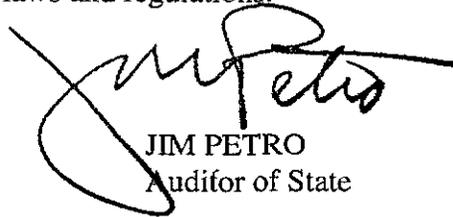
STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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Board of Education
Brookville Local School District

We have reviewed the Independent Auditor's Report of the Brookville Local School District, Montgomery County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 1998 to June 30, 1999. 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 Brookville Local School District is responsible for compliance with these laws and regulations.



JIM PETRO
Auditor of State

January 8, 2000



PLATTENBURG & ASSOCIATES, INC./CERTIFIED PUBLIC ACCOUNTANTS

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Independent Accountants' Report

December 16, 1999

Board of Education
Brookville Local School District

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

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

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

In accordance with Governmental Auditing Standards, we have also issued a report dated December 16, 1999 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.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Certified Public Accountants

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BROOKVILLE LOCAL SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
Assets and Other Debits:				
Assets:				
Cash and Cash Equivalents	\$2,177,126	\$90,552	\$6,399	\$966,096
Investments	0	0	0	0
Receivables (net of allowance for doubtful accounts):				
Taxes	4,348,098	0	0	28,226
Accounts	20,582	1,213	0	0
Intergovernmental	22	21,563	0	0
Interest	0	0	0	12,239
Inventory of Supplies at Cost	0	0	0	0
Prepaid Items	86,674	540	0	0
Restricted Assets:				
Cash and Cash Equivalents	172,647	0	0	0
Investments	0	0	0	0
Fixed Assets (net of accumulated depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	\$6,805,149	\$113,868	\$6,399	\$1,006,561
Liabilities, Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$33,932	\$13,567	\$0	\$39,660
Accrued Wages and Benefits	718,743	17,810	0	0
Intergovernmental Payables	155,125	359	0	0
Due to Students	0	0	0	0
Deferred Revenue	0	0	0	0
Deferred Revenue - Taxes	4,231,192	0	0	27,304
General Obligation Bond Payable	0	0	0	0
Compensated Absences Payable	109,646	0	0	0
Total Liabilities	5,248,638	31,736	0	66,964
Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	185,792	16,547	0	592,732
Reserved for Property Taxes	116,906	0	0	0
Statutory Reserves	172,647	0	0	0
Reserved for Prepaid Items	86,674	540	0	0
Reserved for Endowments	0	0	0	0
Reserved for Debt Service	0	0	6,399	0
Unreserved:				
Undesignated	994,492	65,045	0	346,865
Total Equity and Other Credits	1,556,511	82,132	6,399	939,597
Total Liabilities, Equity and Other Credits	\$6,805,149	\$113,868	\$6,399	\$1,006,561

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

BROOKVILLE LOCAL SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999

<i>Proprietary</i>		<i>Fiduciary</i>	<i>Account</i>		Totals (Memorandum Only)
<i>Fund Types</i>		<i>Fund Types</i>	<i>Groups</i>		
Enterprise Funds	Internal Service Fund	Trust and Agency Funds	General Fixed Assets	General Long Term Obligations	
\$221,972	\$7,271	\$79,021	\$0	\$0	\$3,548,437
0	0	5,988	0	0	5,988
0	0	0	0	0	4,376,324
2,812	0	2,115	0	0	26,722
12,142	0	0	0	0	33,727
644	0	916	0	0	13,799
9,753	0	0	0	0	9,753
1,657	0	0	0	0	88,871
0	0	1,500	0	0	174,147
0	0	12,116	0	0	12,116
93,670	0	0	8,962,026	0	9,055,696
0	0	0	0	6,399	6,399
0	0	0	0	762,285	762,285
<u>\$342,650</u>	<u>\$7,271</u>	<u>\$101,656</u>	<u>\$8,962,026</u>	<u>\$768,684</u>	<u>\$18,114,264</u>
\$1,646	\$0	\$3,000	\$0	\$0	\$91,805
18,173	0	0	0	0	754,726
14,768	0	0	0	59,943	230,195
0	0	24,483	0	0	24,483
5,712	0	249	0	0	5,961
0	0	0	0	0	4,258,496
0	0	0	0	116,853	116,853
8,459	0	0	0	591,888	709,993
<u>48,758</u>	<u>0</u>	<u>27,732</u>	<u>0</u>	<u>768,684</u>	<u>6,192,512</u>
0	0	0	8,962,026	0	8,962,026
293,892	7,271	0	0	0	301,163
0	0	0	0	0	795,071
0	0	0	0	0	116,906
0	0	0	0	0	172,647
0	0	0	0	0	87,214
0	0	13,616	0	0	13,616
0	0	0	0	0	6,399
0	0	60,308	0	0	1,466,710
<u>293,892</u>	<u>7,271</u>	<u>73,924</u>	<u>8,962,026</u>	<u>0</u>	<u>11,921,752</u>
<u>\$342,650</u>	<u>\$7,271</u>	<u>\$101,656</u>	<u>\$8,962,026</u>	<u>\$768,684</u>	<u>\$18,114,264</u>

BROOKVILLE LOCAL SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	<i>Governmental</i>			<i>Fiduciary</i>		Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expensible Trust Fund	
Revenues:						
Local Sources:						
Taxes	\$4,476,606	\$0	\$3,923	\$43,295	\$0	\$4,523,824
Tuition	23,388	0	0	0	0	23,388
Transportation Fees	91,425	0	0	0	0	91,425
Investment Earnings	0	0	0	156,343	3,164	159,507
Extracurricular Activities	21,320	191,670	0	0	4,390	217,380
Class Material and Fees	22,675	0	0	0	0	22,675
Intermediate Sources	0	500	0	0	0	500
Intergovernmental - State	4,063,023	55,313	463	147,845	0	4,266,644
Intergovernmental - Federal	0	189,746	0	0	0	189,746
All Other Revenues	13,379	20,918	0	0	1,661	35,958
Total Revenues	8,711,816	458,147	4,386	347,483	9,215	9,531,047
Expenditures:						
Current:						
Instruction	4,641,684	148,523	0	138,907	6,874	4,935,988
Supporting Services:						
Pupils	695,901	33,017	0	0	0	728,918
Instructional Staff	193,663	73,670	0	2,076	0	269,409
Board of Education	15,187	0	0	0	0	15,187
Administration	954,758	47,428	0	0	0	1,002,186
Fiscal Services	204,519	0	148	431	0	205,098
Operation and Maintenance of Plant	728,617	1,010	0	0	2,151	731,778
Pupil Transportation	448,154	100	0	0	0	448,254
Central	12,900	0	0	0	0	12,900
Extracurricular Activities	178,032	150,987	0	0	3,000	332,019
Capital Outlay	0	0	0	103,199	0	103,199
Debt Service:						
Principal Retirements	31,412	0	70,000	0	0	101,412
Interest and Fiscal Charges	6,147	0	1,881	0	0	8,028
Total Expenditures	8,110,974	454,735	72,029	244,613	12,025	8,894,376
Excess (Deficiency) of Revenues Over (Under) Expenditures	600,842	3,412	(67,643)	102,870	(2,810)	636,671
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	130	0	0	0	0	130
Refunds of Prior Years' Expenditures	20,573	541	0	0	0	21,114
Operating Transfers In	0	0	0	40,000	0	40,000
Operating Transfers Out	(40,000)	0	0	0	0	(40,000)
Total Other Financing Sources (Uses)	(19,297)	541	0	40,000	0	21,244
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	581,545	3,953	(67,643)	142,870	(2,810)	657,915
Fund Balance Beginning of Year	974,966	78,179	74,042	796,727	63,118	1,987,032
Fund Balance End of Year	\$1,556,511	\$82,132	\$6,399	\$939,597	\$60,308	\$2,644,947

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

BROOKVILLE LOCAL SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FISCAL YEAR ENDED JUNE 30, 1999

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Local Sources:						
Taxes	\$4,580,270	\$4,580,270	\$0	\$0	\$0	\$0
Tuition	23,388	23,388	0	0	0	0
Transportation Fees	91,615	91,615	0	0	0	0
Investment Earnings	0	0	0	0	0	0
Extracurricular Activities	20,440	20,440	0	192,668	192,668	0
Class Material and Fees	22,099	22,099	0	0	0	0
Intermediate Sources	0	0	0	500	500	0
Intergovernmental - State	4,063,001	4,063,001	0	35,615	35,615	0
Intergovernmental - Federal	0	0	0	187,881	187,881	0
All Other Revenues	14,408	14,408	0	20,627	20,627	0
Total Revenues	8,815,221	8,815,221	0	437,291	437,291	0
Expenditures:						
Current:						
Instruction	4,652,909	4,652,909	0	156,862	156,862	0
Supporting Services:						
Pupils	678,216	678,216	0	36,947	36,947	0
Instructional Staff	198,951	198,951	0	70,514	70,514	0
Board of Education	16,264	16,264	0	0	0	0
Administration	958,390	958,390	0	50,763	50,763	0
Fiscal Services	202,998	202,998	0	0	0	0
Operation and Maintenance of Plant	782,635	782,635	0	1,010	1,010	0
Pupil Transportation	515,100	515,100	0	100	100	0
Central	17,150	17,150	0	0	0	0
Extracurricular Activities	177,624	177,624	0	163,794	163,794	0
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	34,340	34,340	0	0	0	0
Interest and Fiscal Charges	6,633	6,633	0	0	0	0
Total Expenditures	8,241,210	8,241,210	0	479,990	479,990	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	574,011	574,011	0	(42,699)	(42,699)	0
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	130	130	0	0	0	0
Refunds of Prior Years' Expenditures	6,653	6,653	0	541	541	0
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	(40,000)	(40,000)	0	0	0	0
Total Other Financing Sources (Uses)	(33,217)	(33,217)	0	541	541	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	540,794	540,794	0	(42,158)	(42,158)	0
Fund Balance at Beginning of Year	1,531,323	1,531,323	0	65,931	65,931	0
Prior Year Encumbrances	71,958	71,958	0	38,974	38,974	0
Fund Balance at End of Year	\$2,144,075	\$2,144,075	\$0	\$62,747	\$62,747	\$0

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

BROOKVILLE LOCAL SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FISCAL YEAR ENDED JUNE 30, 1999

<i>Debt Service Fund</i>			<i>Capital Projects Funds</i>			<i>Totals (Memorandum Only)</i>		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$4,397	\$4,397	\$0	\$44,115	\$44,115	\$0	\$4,628,782	\$4,628,782	\$0
0	0	0	0	0	0	23,388	23,388	0
0	0	0	0	0	0	91,615	91,615	0
0	0	0	147,436	147,436	0	147,436	147,436	0
0	0	0	0	0	0	213,108	213,108	0
0	0	0	0	0	0	22,099	22,099	0
0	0	0	0	0	0	500	500	0
463	463	0	147,845	147,845	0	4,246,924	4,246,924	0
0	0	0	0	0	0	187,881	187,881	0
0	0	0	0	0	0	35,035	35,035	0
4,860	4,860	0	339,396	339,396	0	9,596,768	9,596,768	0
0	0	0	139,962	139,962	0	4,949,733	4,949,733	0
0	0	0	0	0	0	715,163	715,163	0
0	0	0	2,076	2,076	0	271,541	271,541	0
0	0	0	0	0	0	16,264	16,264	0
0	0	0	0	0	0	1,009,153	1,009,153	0
148	148	0	569	569	0	203,715	203,715	0
0	0	0	0	0	0	783,645	783,645	0
0	0	0	0	0	0	515,200	515,200	0
0	0	0	0	0	0	17,150	17,150	0
0	0	0	0	0	0	341,418	341,418	0
0	0	0	696,626	696,626	0	696,626	696,626	0
70,000	70,000	0	0	0	0	104,340	104,340	0
1,881	1,881	0	0	0	0	8,514	8,514	0
72,029	72,029	0	839,233	839,233	0	9,632,462	9,632,462	0
(67,169)	(67,169)	0	(499,837)	(499,837)	0	(35,694)	(35,694)	0
0	0	0	0	0	0	130	130	0
0	0	0	0	0	0	7,194	7,194	0
0	0	0	40,000	40,000	0	40,000	40,000	0
0	0	0	0	0	0	(40,000)	(40,000)	0
0	0	0	40,000	40,000	0	7,324	7,324	0
(67,169)	(67,169)	0	(459,837)	(459,837)	0	(28,370)	(28,370)	0
73,568	73,568	0	791,791	791,791	0	2,462,613	2,462,613	0
0	0	0	1,750	1,750	0	112,682	112,682	0
\$6,399	\$6,399	\$0	\$333,704	\$333,704	\$0	\$2,546,925	\$2,546,925	\$0

**BROOKVILLE LOCAL SCHOOL DISTRICT, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
 ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<i>Proprietary Fund Types</i>		<i>Fiduciary Fund Type</i>	Totals (Memorandum Only)
	Enterprise Funds	Internal Service Fund	Nonexpendable Trust Fund	
<u>Operating Revenues:</u>				
Tuition and Fees	\$43,543	\$46,334	\$0	\$89,877
Sales	333,659	0	0	333,659
Other Operating Revenues	73,317	0	0	73,317
Investment Earnings	0	0	566	566
Total Operating Revenues	<u>450,519</u>	<u>46,334</u>	<u>566</u>	<u>497,419</u>
<u>Operating Expenses:</u>				
Salaries and Wages	181,653	0	0	181,653
Fringe Benefits	30,790	0	0	30,790
Contractual Services	6,782	40,785	0	47,567
Materials and Supplies	229,277	8,025	0	237,302
Depreciation	10,513	0	0	10,513
Other Operating Expenses	200	990	0	1,190
Total Operating Expenses	<u>459,215</u>	<u>49,800</u>	<u>0</u>	<u>509,015</u>
Operating Income (Loss)	(8,696)	(3,466)	566	(11,596)
<u>Non-Operating Revenues (Expenses):</u>				
Operating Grants	72,151	0	0	72,151
Federally Donated Commodities	25,140	0	0	25,140
Other Non-Operating Revenue	47	7,655	0	7,702
Investment Earnings	2,495	0	0	2,495
Total Non-Operating Revenues (Expenses)	<u>99,833</u>	<u>7,655</u>	<u>0</u>	<u>107,488</u>
Net Income	91,137	4,189	566	95,892
Retained Earnings/Fund Balance at Beginning of Year	202,755	3,082	13,050	218,887
Retained Earnings/Fund Balance at End of Year	<u>\$293,892</u>	<u>\$7,271</u>	<u>\$13,616</u>	<u>\$314,779</u>

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

BROOKVILLE LOCAL SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	<i>Proprietary Fund Types</i>		<i>Fiduciary Fund Type</i>	Totals (Memorandum Only)
	Enterprise Funds	Internal Service Fund	Nonexpendable Trust Fund	
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$406,873	\$0	\$0	\$406,873
Cash Received from Tuition and Fee Payments	42,252	46,334	0	88,586
Cash Payments for Goods and Services	(213,227)	(42,180)	0	(255,407)
Cash Payments to Employees for Services and Benefits	(237,920)	0	0	(237,920)
Net Cash Provided (Used) by Operating Activities	(2,022)	4,154	0	2,132
<u>Cash Flows from Noncapital Financing Activities:</u>				
Operating Grants Received	68,946	0	0	68,946
Net Cash Provided by Noncapital Financing Activities	68,946	0	0	68,946
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition of Equipment	(3,825)	0	0	(3,825)
Net Cash Used by Capital and Related Financing Activities	(3,825)	0	0	(3,825)
<u>Cash Flows from Investing Activities:</u>				
Receipts of Interest	1,851	0	608	2,459
Net Cash Provided by Investing Activities	1,851	0	608	2,459
Net Increase in Cash and Cash Equivalents	64,950	4,154	608	69,712
Cash and Cash Equivalents at Beginning of Year	157,022	3,117	13,008	173,147
Cash and Cash Equivalents at End of Year	\$221,972	\$7,271	\$13,616	\$242,859
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>				
<u>Used by Operating Activities:</u>				
Operating Income (Loss)	(\$8,696)	(\$3,466)	\$566	(\$11,596)
Adjustments to Reconcile Operating Income (Loss) to				
Net Cash Provided (Used) by Operating Activities:				
Miscellaneous Non-operating Income	47	7,655	0	7,702
Depreciation Expense	10,513	0	0	10,513
Donated Commodities Used During the Year	25,140	0	0	25,140
Interest on Investment	0	0	(608)	(608)
Changes in Assets and Liabilities:				
Increase in Accounts Receivable	(1,441)	0	0	(1,441)
Increase in Interest Receivable	0	0	(2)	(2)
Decrease in Inventory	1,312	0	0	1,312
Increase in Prepaid Items	(5)	0	0	(5)
Increase (Decrease) in Accounts Payable	512	(35)	0	477
Decrease in Accrued Wages and Benefits	(669)	0	0	(669)
Decrease in Intergovernmental Payables	(12,811)	0	0	(12,811)
Increase (Decrease) in Deferred Revenue	(3,927)	0	44	(3,883)
Decrease in Compensated Absences	(11,997)	0	0	(11,997)
Total Adjustments	6,674	7,620	(566)	13,728
Net Cash Provided (Used) by Operating Activities	(\$2,022)	\$4,154	\$0	\$2,132

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

BROOKVILLE LOCAL SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Brookville Local School District, Ohio (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 is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 68 noncertified and approximately 100 certified teaching personnel and administrative employees providing education to 1,545 students.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. There were no potential component units that met the criteria imposed by GASB Statement No. 14 to be included in the District's reporting entity. The District is a member of the Metropolitan Dayton Educational Cooperative Association, a jointly governed organization which provides computer service to twenty-five (25) school districts. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

The District is associated with organizations which are defined as jointly governed organizations and an insurance purchasing pool. These organizations are presented in Notes 14 and 15 to the general purpose financial statements.

The accounting policies and financial reporting practices of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are summarized by type in the general purpose financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

The following fund types and account groups are used by the District:

Governmental Funds - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the District's governmental fund types:

General Fund - This fund is the general operating fund of the district and is used to account for all financial resources except those 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 - These funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - This fund is used for the accumulation of resources for the payment of general long-term debt principal and interest.

Capital Projects Funds - These 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 Funds - The proprietary funds are accounted for on a "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of the proprietary funds are included on the balance sheet. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in retained earnings (net total assets).

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises in which the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District or to other governments on a cost-reimbursement basis.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds

Trust and Agency Funds - These funds are used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District maintains an expendable trust fund, a non-expendable trust fund and an agency fund. The expendable trust fund is accounted for and reported similarly to a governmental fund, the non-expendable trust fund is accounted for similarly to a proprietary fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

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

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

General Long-Term Obligations Account Group - This account group is established to account for all long-term debt and other long-term liabilities of the District except those accounted for in the proprietary funds.

C. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds and expendable trust and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Revenue considered susceptible to accrual at year end includes property taxes, tuition, grants and entitlements, student fees, and interest on investments.

Current property taxes measurable at June 30, 1999, and which are not intended to finance fiscal 1999 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1999 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

D. 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.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the Board of Education.

1. Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

2. Estimated Resources

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County 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 the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 1999.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund, department and object level. The appropriation resolution may be amended during the year, as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year with approval of the Board. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-All Governmental Fund Types" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

6. Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures (budgetary basis) as opposed to reservations of fund balance (GAAP basis).

BROOKVILLE LOCAL SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the governmental funds:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis (as reported)	\$581,545	\$3,953	(\$67,643)	\$142,870
Increase (Decrease):				
Accrued Revenues at June 30, 1999, received during FY 2000	(4,368,702)	(22,776)	0	(40,465)
Accrued Revenues at June 30, 1998, received during FY 1999	226,995	1,920	474	5,074
Accrued Expenditures at June 30, 1999, paid during FY 2000	5,248,638	31,736	0	66,964
Accrued Expenditures at June 30, 1998, paid during FY 1999	(938,155)	(29,035)	0	(1,888)
FY 1998 Prepays for FY 1999	82,845	389	0	0
FY 1999 Prepays for FY 2000	(86,674)	(540)	0	0
Encumbrances Outstanding at June 30, 1999	(205,698)	(27,805)	0	(632,392)
Budget Basis	\$540,794	(\$42,158)	(\$67,169)	(\$459,837)

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and investments with original maturities of less than three months.

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 3, Cash, Cash Equivalents and Investments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District reports its nonparticipating investments contracts (certificates of deposit) at cost. See Note 3, Cash, Cash Equivalents and Investments.

G. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental and expendable trust funds when purchased and as expenses in the proprietary funds when used.

H. Fixed Assets and Depreciation

The accounting and reporting treatment applied to fixed assets is determined by their ultimate use:

1. Property, Plant and Equipment - General Governmental Purposes

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received. The District does not possess any infrastructure.

General fixed asset values were initially determined at June 30, 1993 by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

The District has elected not to record depreciation in the General Fixed Assets Account Group.

2. Property, Plant and Equipment - Proprietary Fund

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed fixed assets are recorded at fair market value at the date received.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (in years)</u>
Machinery, Equipment, Furniture and Fixtures	5-20

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	General Fund, General Obligation Bond Retirement Fund
Intergovernmental Payables	General Fund, Management Information System Fund, Food Services Fund, Latchkey Fund
Compensated Absences	General Fund, Food Services Fund

J. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the vesting method. Employees may earn 15 days of sick leave per year up to a maximum of 282 days. Upon retirement, employees will receive one-fourth of the accumulated sick leave up to a maximum of 60 days. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

K. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

L. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. Interfund transactions are generally classified as follows:

- Operating transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Operating Transfers In" by the recipient fund, and "Operating Transfers Out" by the disbursing fund.
- Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds.
- Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance.

Transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the District are similarly treated when involving other funds of the District.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve, a reserve for textbook purchases and a reserve for capital maintenance. These reserves are required by State statute. The budget stabilization reserve can be used only after receiving approval from the State Superintendent of Public Instruction. Fund balance reserves have also been established for these amounts.

N. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for debt service, prepaid items, endowments, property taxes, budget stabilization, textbook purchase, capital maintenance and encumbered amounts which have not been accrued at year end. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles, but not available for appropriation under State statute. The reserve for budget stabilization, textbook purchase and capital maintenance are required by State statute.

O. Estimates

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

P. Total Columns on Combined Financial Statements - Overview

Total columns on the "Combined Financial Statements-Overview" are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficits at June 30, 1999 of \$2,039 in the Title VI-B Special Education Fund and \$37 in the Preschool Handicapped Fund (special revenue) arise from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. A deficit does not exist under the cash basis of accounting.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by a number of individual funds.

Statutes require the classification of funds held by the District into three categories. Category 1 consists of "active" funds - those funds required to be kept in a "cash" or "near cash" status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- 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;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets 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, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110% of the carrying value of all public collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements," collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3.

The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent, in the District's name.
- Category 3 Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Investments:

- Category 1 Insured or registered, or securities held by the District or its agent in the District's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name.

A. Deposits

At year end the carrying amount of the District's deposits was \$3,740,688 and the bank balance was \$3,792,995. The Federal Deposit Insurance Corporation (FDIC) covered \$100,000 of the bank balance and all remaining deposits were classified as Category 3.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Combined Balance Sheet	\$3,722,584	\$18,104
Certificates of Deposit (with maturities of more than 3 months)	18,104	(18,104)
Per GASB Statement No. 3	<u>\$3,740,688</u>	<u>\$0</u>

NOTE 4 - TAXES

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 1999 were levied after October 1, 1998 on assessed values as of January 1, 1998, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years with a statistical update every third year. The last revaluation was completed in 1996. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

BROOKVILLE LOCAL SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

NOTE 4 - TAXES (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Brookville Local School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed values upon which the fiscal year 1999 receipts were based, were as follows:

	1998 Second Half Collections	1999 First Half Collections
Agricultural/Residential and Other Real Estate	\$108,574,860	\$113,241,560
Public Utility Personal	7,055,300	7,146,120
Tangible Personal Property	12,548,836	15,699,456
Total Assessed Value	<u>\$128,178,996</u>	<u>\$136,087,136</u>
Tax rate per \$1,000 of assessed valuation	\$57.22	\$57.15

NOTE 5 - RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, interest, accounts receivable and intergovernmental receivables.

NOTE 6 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds at June 30, 1999:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$40,000
Capital Projects Fund:		
Permanent Improvement Fund	40,000	0
Total All Funds	<u>\$40,000</u>	<u>\$40,000</u>

NOTE 7 - FIXED ASSETS

A. General Fixed Assets

Summary by category of changes in general fixed assets at June 30, 1999:

Class	June 30, 1998	Additions	Deletions	June 30, 1999
Land	\$42,719	\$0	\$0	\$42,719
Buildings	5,030,353	11,715	0	5,042,068
Machinery and Equipment	2,905,487	209,319	0	3,114,806
Vehicles	762,433	0	0	762,433
Totals	<u>\$8,740,992</u>	<u>\$221,034</u>	<u>\$0</u>	<u>\$8,962,026</u>

NOTE 7 - FIXED ASSETS (Continued)

B. Proprietary Fixed Assets

Summary by Category at June 30, 1999:

Category	Historical Cost	Accumulated Depreciation	Book Value
Machinery and Equipment	\$248,889	(\$155,219)	\$93,670
Total Property, Plant and Equipment	\$248,889	(\$155,219)	\$93,670

NOTE 8 - DEFINED BENEFIT PENSION PLANS

All of the District's full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

A. School Employees Retirement System of Ohio (SERS of Ohio)

All non-certified employees of the District, with minor exceptions, performing duties that do not require a certificate issued by the Ohio Department of Education are eligible to participate in the School Employees Retirement System of Ohio, a cost-sharing multiple employer public employee retirement system.

The SERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor 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 SERS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the SERS of Ohio. Interested parties may obtain a copy by making a written request to SERS, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 1998, (the latest information available) 9.02% was allocated to fund the pension and 4.98% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 1999, 1998, and 1997 were \$208,452, \$187,980, and \$177,006, respectively, which were equal to the required contributions for each year.

The Ohio Revised Code gives SERS 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% of the premium. The portion of the 1998 employer contribution rate (identified above) that was used to fund health care for the year 1998 was 4.98%. For the District, this amount equaled \$74,149 during fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 1999, the minimum pay has been established as \$12,400 and the surcharge amounted to \$22,705.

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System of Ohio (SERS of Ohio) (Continued)

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 50,000. The target level for the health care reserve is 125% of annual health care expenses. Expenses for health care at June 30, 1998 were \$111,900,575 and the target level was \$139.9 million. Net assets available for payment of benefits at June 30, 1998 was \$160.3 million, at cost.

B. State Teachers Retirement System of Ohio (STRS of Ohio)

All certified employees of the District are eligible to participate in the State Teachers Retirement System of Ohio, a cost-sharing multiple employer public employee retirement system.

The STRS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits based on eligible service credit to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. The STRS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the STRS of Ohio. Interested parties may obtain a copy by making a written request to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9.3%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions to the STRS of Ohio for the years ending June 30, 1999, 1998, and 1997 were \$654,384, \$633,048, and \$596,592, respectively, which were equal to the required contributions for each year.

STRS provides postemployment health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care cost will be absorbed by STRS. All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium.

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions, equal to 3.5% of covered payroll, to a health care reserve fund. The balance of the Health Care Reserve Fund was \$2,156 million at June 30, 1998. The Health Care Reserve Fund allocation for the year ended June 30, 1999 will be 8% of covered payroll. For the District, this amount equaled \$373,934 during fiscal year 1999. For the fiscal year ended June 30, 1998, the net health care costs paid by STRS were \$219,224,000. There were 91,999 eligible benefit recipients.

BROOKVILLE LOCAL SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

NOTE 9 - COMPENSATED ABSENCES

The District provides a liability for accumulated unpaid sick leave and vacation time benefits when earned by employees. Accrued employee benefits for governmental funds not currently due and payable at year end are recorded in the General Long-Term Obligations Account Group. At June 30, 1999, the total accumulated unpaid sick and vacation time recorded in the General Long-Term Obligations Account Group was:

	<u>Sick Leave</u>	<u>Vacation</u>	<u>Total</u>
Liability	\$580,466	\$11,422	\$591,888

The portion attributable to the enterprise funds has been recorded within the respective fund and is not included in the figures presented above.

NOTE 10 - GENERAL LONG-TERM DEBT AND OTHER GENERAL LONG-TERM OBLIGATIONS

Detail of the changes in the bonds, intergovernmental payable, and compensated absences of the District for the year ended June 30, 1999 is as follows:

		<u>Balance</u>	<u>Issued</u>	<u>Balance</u>
		June 30, 1998	(Retired)	June 30, 1999
General Long-Term Debt:				
(General Obligation Bonds)				
Building Additions	5.375%	\$70,000	(\$70,000)	\$0
Energy Conservation Project	5.00%	148,265	(31,412)	116,853
Total General Long-Term Debt		<u>218,265</u>	<u>(101,412)</u>	<u>116,853</u>
Other General Long-Term Obligations:				
Intergovernmental Payable		67,218	(7,275)	59,943
Compensated Absences		515,731	76,157	591,888
Total Other General Long-Term Obligations		<u>582,949</u>	<u>68,882</u>	<u>651,831</u>
Total General Long-Term Debt and				
Other General Long-Term Obligations		<u>\$801,214</u>	<u>(\$32,530)</u>	<u>\$768,684</u>

NOTE 10 - GENERAL LONG-TERM DEBT AND OTHER GENERAL LONG-TERM OBLIGATIONS (Continued)

A. Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 1999, follows:

Years	General Obligation Bonds	
	Principal	Interest
2000	\$35,949	\$5,026
2001	37,785	3,185
2002	39,719	1,253
2003	3,400	14
Totals	\$116,853	\$9,478

NOTE 11 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains three Enterprise Funds to account for the operation of Food Services, Uniform School Supply Sales and a Latch Key program. The key financial information for the year ended June 30, 1999 for these enterprise activities is as follows:

	Food Services	Uniform School Supply	Latch Key	Total
Operating Revenues	\$334,457	\$42,363	\$73,699	\$450,519
Depreciation Expense	10,453	0	60	10,513
Operating Gain (Loss)	(29,648)	(1,907)	22,859	(8,696)
Net Income (Loss)	70,185	(1,907)	22,859	91,137
Property, Plant and Equipment:				
Additions	4,959	0	0	4,959
Operating Grants	72,151	0	0	72,151
Total Assets	303,275	5,405	33,970	342,650
Net Working Capital	171,165	5,405	32,111	208,681
Total Equity	256,346	5,405	32,141	293,892

BROOKVILLE LOCAL SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

NOTE 12 – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Budget Stabilization Reserve	Total
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$34,321	\$34,321
Current Year Set-Aside Requirement	144,331	144,331	72,165	360,827
Current Year Offset Credits	(20,783)	(42,376)	0	(63,159)
Qualifying Disbursements	(57,387)	(101,955)	0	(159,342)
Total	\$66,161	\$0	\$106,486	\$172,647
Cash Balance Carried Forward to FY 2000	\$66,161	\$0	\$106,486	\$172,647
Amount Restricted for Textbooks				\$66,161
Amount Restricted for Budget Stabilization				106,486
Total Restricted Assets				\$172,647

NOTE 13- 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; and natural disasters. During fiscal year 1999 the District contracted with several different insurance providers for various insurance coverages, as follows:

Insurance Provider	Coverage	Deductible
Nationwide Insurance Company	Automobile	\$0
Indiana Insurance Company	Property	\$500
Wausau Insurance	General Liability	\$10,000

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

Workers' compensation claims are covered through the District's participation in the State of Ohio's program. The District pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

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

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties i.e. Auglaize, Butler, Champaign, Clark, Clifton, Darke, Fayette, Green, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Green, and Butler counties shall elect two representatives per area. All others shall elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after a nomination committee nominates individuals to run. One at-large non-public representative shall be elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative shall be elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government for a public purpose. Payments to SOITA are made from the general fund. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association at 150 East Sixth Street, Franklin, Ohio 45005.

Southwestern Ohio Educational Purchasing Cooperative (SOEPC) - SOEPC is a purchasing cooperative made up of nearly one hundred school districts in twelve counties. The Montgomery County Board of Education acts as 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 and supplies purchased by the SOEPC is held in trust for the member district by the fiscal agent. Payments to SOEPC are made from the general fund. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Cooperative, 1831 Harshman Road, Dayton, Ohio 45424.

NOTE 15 - INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan (WCGRP) - The District participates in the WCGRP, an insurance purchasing pool. The group rating plan for workers' compensation was established under Section 4123.29 of the Ohio Revised Code. The Plan's business and affairs are conducted by an executive committee elected by members of the cooperative. Each year, the participating school districts pay an enrollment fee to the WCGRP to cover the costs of administering the program.

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

There are currently no pending lawsuits in which the District is named as defendant.

C. State School Funding

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$3,570,827 of school foundation support for its general fund.

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

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

NOTE 17 - YEAR 2000 ISSUE

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

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)). The District has four school buildings and one administration building with power systems which have extensive efficiency utilization measures within the systems.

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and the State of Ohio Uniform Staff Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems. The District's "A" Site is the Licking Area Computer Association (LACA).

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

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and nonfinancial information about the District through EMIS. The State is responsible for remediating these systems.

The District has completed assessing the changes and feels that the Heath City School district has taken the necessary steps to be 2000 ready.

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



**Report on compliance and on internal control over financial reporting
based on an audit of financial statements performed in accordance with
*Government Auditing Standards***

December 16, 1999

Board of Education
Brookville Local School District

We have audited the general purpose financial statements of the Brookville Local School District, (the District), as of and for the year ended June 30, 1999, and have issued our report thereon dated December 16, 1999. 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 no instances of non-compliance required to be reported under *Government Auditing Standards*.

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.

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 over financial reporting that might be

material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Auditor of State, Board of Education, 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.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Certified Public Accountants



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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BROOKVILLE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

By: *Susan Babbitt*
Clerk of the Bureau

Date: JAN 20 2000