



**FRANKLIN CITY SCHOOL DISTRICT
WARREN COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Franklin City School District
Warren County
150 East Sixth Street
Franklin, Ohio 45005

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2000, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

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Jim Petro
Auditor of State

March 15, 2000

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Franklin City School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 372,273	\$ 374,566	\$ 361,872	\$ 254,281
Receivables:				
Taxes	8,022,091	0	327,638	0
Accounts	52,196	0	0	0
Intergovernmental	10,148	8,442	0	0
Accrued interest	1,566	253	0	0
Interfund Receivable	1,498	2,500	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
Prepaid items	12,701	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	111,184	0	0	0
Fixed Assets:				
Fixed Assets	0	0	0	0
Other Debits:				
Amount in Debt Service Fund for Retirement of General Long Term Obligations	0	0	0	0
Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$ 8,583,657	\$ 385,761	\$ 689,510	\$ 254,281
Liabilities, Fund Equity, and Other Credits:				
Liabilities:				
Accounts Payable	\$ 51,824	\$ 2,233	\$0	\$0
Accrued Wages and Benefits	1,227,886	90,990	0	0
Compensated Absences Payable	19,448	0	0	0
Interfund Payable	0	4,498	0	0
Intergovernmental Payable	376,611	19,697	0	22
Deferred Revenue	7,748,758	0	311,755	0
Undistributed Monies	0	0	0	0
Energy Conservation Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	9,424,527	117,418	311,755	22
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved:				
Reserved for Encumbrances	88,782	30,222	0	17,023
Reserved for Property Taxes	291,198	0	15,883	0
Reserved for Budget Stabilization	70,778	0	0	0
Reserved for Bus Purchases	40,406	0	0	0
Unreserved:				
Unreserved, Undesignated (Deficit)	(1,332,034)	238,121	361,872	237,236
Total Fund Equity (Deficit) and Other Credits	(840,870)	268,343	377,755	254,259
Total Liabilities, Fund Equity and Other Credits	\$ 8,583,657	\$ 385,761	\$ 689,510	\$ 254,281

Proprietary Fund Type	Fudiciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust & Agency			
\$ 193,196	\$ 35,998	\$0	\$0	\$ 1,592,186
0	0	0	0	8,349,729
0	0	0	0	52,196
0	0	0	0	18,590
0	0	0	0	1,819
0	3,000	0	0	6,998
3,614	0	0	0	3,614
2,951	0	0	0	2,951
0	0	0	0	12,701
0	0	0	0	111,184
130,634	0	20,494,292	0	20,624,926
0	0	0	377,755	377,755
0	0	0	4,326,863	4,326,863
<u>\$ 330,395</u>	<u>\$ 38,998</u>	<u>\$ 20,494,292</u>	<u>\$ 4,704,618</u>	<u>\$ 35,481,512</u>
\$ 13,341	\$ 14	\$0	\$0	\$ 67,412
34,223	0	0	0	1,353,099
23,053	0	0	1,241,034	1,283,535
0	2,500	0	0	6,998
39,036	0	0	119,103	554,469
847	0	0	0	8,061,360
0	36,337	0	0	36,337
0	0	0	379,492	379,492
0	0	0	2,964,989	2,964,989
<u>110,500</u>	<u>38,851</u>	<u>0</u>	<u>4,704,618</u>	<u>14,707,691</u>
0	0	20,494,292	0	20,494,292
219,895	0	0	0	219,895
0	0	0	0	136,027
0	0	0	0	307,081
0	0	0	0	70,778
0	0	0	0	40,406
0	147	0	0	(494,658)
<u>219,895</u>	<u>147</u>	<u>20,494,292</u>	<u>0</u>	<u>20,773,821</u>
<u>\$ 330,395</u>	<u>\$ 38,998</u>	<u>\$ 20,494,292</u>	<u>\$ 4,704,618</u>	<u>\$ 35,481,512</u>

Franklin City School District
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types and Similar Trust Funds
For the Fiscal Year Ended June 30, 1999

	Governmental Fund Type				Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Expendable Trust	
Revenues (Governmental):						
Intergovernmental	\$ 7,524,880	\$ 876,327	\$ 35,792	\$ 0	\$0	\$ 8,436,999
Interest	88,152	253	0	21,877	0	110,282
Tuition and Fees	331,545	0	0	0	0	331,545
Rent	49,503	0	0	0	0	49,503
Extracurricular Activities	0	152,977	0	0	0	152,977
Gifts and Donations	2,274	3,942	0	0	4,275	10,491
Customer Services	135	2,875	0	0	0	3,010
Property & Other Local Taxes	7,632,111	0	311,611	0	0	7,943,722
Miscellaneous	44,473	20,443	0	0	128	65,044
Total Revenues	15,673,073	1,056,817	347,403	21,877	4,403	17,103,573
Expenditures:						
Current:						
Instruction:						
Regular	7,870,019	66,788	0	322,172	500	8,259,479
Special	1,114,716	585,499	0	0	0	1,700,215
Vocational	385,263	0	0	0	0	385,263
Support Services:						
Pupils	693,648	80,805	0	0	2,270	776,723
Instructional Staff	796,909	86,606	0	2,454	0	885,969
Board of Education	45,204	0	0	0	0	45,204
Administration	1,450,496	45,541	378	0	0	1,496,415
Fiscal	426,774	0	5,487	0	0	432,261
Business	139,718	0	0	0	0	139,718
Operation and Maintenance of Plant	1,855,966	2,078	0	296,730	0	2,154,774
Pupil Transportation	715,840	8,980	0	0	0	724,820
Central	4,777	5,449	0	0	0	10,226
Non-Instructional Services	0	3,096	0	0	1,500	4,596
Extracurricular Activities	316,576	151,514	0	0	0	468,090
Capital Outlay	0	0	0	124,790	0	124,790
Debt Service - Principal	97,630	0	210,000	0	0	307,630
Debt Service - Interest	20,502	0	86,000	0	0	106,502
Total Expenditures	15,934,038	1,036,356	301,865	746,146	4,270	18,022,675
Excess of Revenues Over (Under) Expenditures	(260,965)	20,461	45,538	(724,269)	133	(919,102)
Other Financing Sources (Uses):						
Operating Transfers In	0	25,010	0	123,937	0	148,947
Proceeds from Sale of Fixed Assets	796	0	0	0	0	796
Operating Transfers Out	148,937	10	0	0	0	148,947
Total Other Financing Sources (Uses)	(148,141)	25,000	0	123,937	0	796
Excess of Revenues and Other Financing Sources Over/Under Expenditures and Other Financing Uses	(409,106)	45,461	45,538	(600,332)	133	(918,306)
Fund Balances (Deficit) at Beginning of Year	(431,764)	222,882	332,216	854,591	15	977,940
Fund Balance (Deficit) at End of Year	\$ (840,870)	\$ 268,343	\$ 377,754	\$ 254,259	\$ 148	\$ 59,634

See Accompanying Notes to the General Purpose Financial Statements

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Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (Budget Basis)
 Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 1999

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues (Governmental):						
Intergovernmental	\$ 7,515,102	\$ 7,515,102	\$0	\$ 938,080	\$ 938,080	\$0
Interest	88,335	88,335	0	0	0	0
Tuition and Fees	331,545	331,545	0	0	0	0
Rent	56,822	56,822	0	0	0	0
Extracurricular Activities	0	0	0	152,901	152,901	0
Gifts and Donations	2,275	2,275	0	3,942	3,942	0
Customer Services	135	135	0	2,875	2,875	0
Property & Other Local Taxes	7,622,629	7,622,629	0	0	0	0
Miscellaneous	8,599	8,599	0	18,576	18,576	0
Total Revenues	15,625,442	15,625,442	0	1,116,374	1,116,374	0
Expenditures:						
Current:						
Instruction:						
Regular	7,811,253	7,811,253	0	71,701	71,701	0
Special	1,105,552	1,105,552	0	581,664	581,664	0
Vocational	376,718	376,718	0	0	0	0
Support Services:						
Pupils	678,915	678,915	0	78,176	78,176	0
Instructional Staff	797,088	797,088	0	89,799	89,799	0
Board of Education	50,756	50,756	0	0	0	0
Administration	1,450,673	1,450,673	0	47,987	47,987	0
Fiscal	433,017	433,017	0	0	0	0
Business	143,079	143,079	0	0	0	0
Operation and Maintenance of Plant	1,884,949	1,884,949	0	2,600	2,600	0
Pupil Transportation	724,747	724,747	0	8,980	8,980	0
Central	4,797	4,797	0	5,449	5,449	0
Non-Instructional Services	0	0	0	3,096	3,096	0
Extracurricular Activities	326,210	326,210	0	182,709	182,709	0
Capital Outlay	0	0	0	0	0	0
Debt Service						
Debt Service - Principal	97,630	97,630	0	0	0	0
Debt Service - Interest	20,502	20,502	0	0	0	0
Total Expenditures	15,905,886	15,905,886	0	1,072,161	1,072,161	0
Excess of Revenues Over (Under) Expenditures	(280,444)	(280,444)	0	44,213	44,213	0
Other Financing Sources (Uses):						
Operating Transfers In	0	0	0	25,009	25,009	0
Proceeds from Sale of Fixed Assets	796	796	0	0	0	0
Refund of Prior Year Expenditures	9,654	9,654	0	1,943	1,943	0
Advances In	3,255	3,255	0	1,448	1,448	0
Operating Transfers Out	148,937	148,937	0	10	10	0
Advances Out	1,448	1,448	0	3,255	3,255	0
Total Other Financing Sources (Uses)	(136,680)	(136,680)	0	25,135	25,135	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(417,124)	(417,124)	0	69,348	69,348	0
Fund Balances at Beginning of Year	367,879	367,879	0	224,779	224,779	0
Prior Year Encumbrances Appropriated	406,607	406,607	0	49,742	49,742	0
Fund Balances at End of Year	\$ 357,362	\$ 357,362	\$ -	\$ 343,869	\$ 343,869	\$ -

	Debt Service Fund			Capital Projects Fund			Expendable Trust Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues (Governmental):									
Intergovernmental	\$ 35,792	\$ 35,792	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest	0	0	0	21,877	21,877	0	0	0	0
Tuition and Fees	0	0	0	0	0	0	0	0	0
Rent	0	0	0	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0	0	0	0
Gifts and Donations	0	0	0	0	0	0	4,275	4,275	0
Customer Services	0	0	0	0	0	0	0	0	0
Property & Other Local Taxes	311,006	311,006	0	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0	127	127	0
Total Revenues	346,798	346,798	0	21,877	21,877	0	4,402	4,402	0
Expenditures:									
Current:									
Instruction:									
Regular	0	0	0	325,564	325,564	0	500	500	0
Special	0	0	0	0	0	0	0	0	0
Vocational	0	0	0	0	0	0	0	0	0
Support Services:									
Pupils	0	0	0	0	0	0	2,270	2,270	0
Instructional Staff	0	0	0	2,432	2,432	0	0	0	0
Board of Education	0	0	0	0	0	0	0	0	0
Administration	377	377	0	0	0	0	0	0	0
Fiscal	5,487	5,487	0	0	0	0	0	0	0
Business	0	0	0	0	0	0	0	0	0
Operation and Maintenance of Plant	0	0	0	310,359	310,359	0	0	0	0
Pupil Transportation	0	0	0	0	0	0	0	0	0
Central	0	0	0	0	0	0	0	0	0
Non-Instructional Services	0	0	0	0	0	0	1,500	1,500	0
Extracurricular Activities	0	0	0	0	0	0	0	0	0
Capital Outlay	0	0	0	124,792	124,792	0			
Debt Service									
Debt Service - Principal	210,000	210,000	0	0	0	0	0	0	0
Debt Service - Interest	86,000	86,000	0	0	0	0	0	0	0
Total Expenditures	301,864	301,864	0	763,147	763,147	0	4,270	4,270	0
Excess of Revenues Over (Under) Expenditures	44,934	44,934	0	(741,270)	(741,270)	0	132	132	0
Other Financing Sources (Uses):									
Operating Transfers In	0	0	0	123,937	123,937	0	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0	0	0	0
Refund of Prior Year Expenditures	0	0	0	0	0	0	0	0	0
Advances In	0	0	0	0	0	0	0	0	0
Operating Transfers Out	0	0	0	0	0	0	0	0	0
Advances Out	0	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	123,937	123,937	0	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	44,934	44,934	0	(617,333)	(617,333)	0	132	132	0
Fund Balances at Beginning of Year	316,938	316,938	0	744,639	744,639	0	15	15	0
Prior Year Encumbrances Appropriated	0	0	0	109,951	109,951	0	0	0	0
Fund Balances at End of Year	\$ 361,872	\$ 361,872	\$0	\$ 237,257	\$ 237,257	\$0	\$ 147	\$ 147	\$0

Franklin City School District
 Combined Statement of Revenues, Expenses and
 Changes in Retained Earnings
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 1999

Operating Revenues:	
Sales	\$504,033
Operating Expenses:	
Salaries	295,914
Fringe Benefits	73,788
Purchased Services	9,917
Materials and Supplies	39,508
Cost of Sales	358,103
Depreciation	21,617
Other	1,139
Total Operating Expenses	799,986
Operating Income (Loss)	(295,953)
Non-Operating Revenues and Expenses:	
Interest	3,162
Federal Donated Commodities	58,979
Federal and State Subsidies	246,135
Total Non-Operating Revenues and Expenses	308,276
Net Income	12,323
Retained Earnings at Beginning of Year	207,572
Retained Earnings at End of Year	\$219,895

See Accompanying Notes to the General Purpose Financial Statements

Franklin City School District
Statement of Revenues, Expenses, and
Changes in Fund Equity-Budget and Actual (Budget Basis)
Proprietary Fund Type
For the Fiscal Year Ended June 30, 1999

	Enterprise		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:			
Sales	\$496,244	\$496,244	\$0
Refund of Prior Year Expense	\$7,788	\$7,788	0
Total Operating Revenues	504,033	504,032	0
Operating Expenses:			
Salaries	295,004	295,004	0
Fringe Benefits	75,771	75,771	0
Purchased Services	11,712	11,712	0
Materials and Supplies	330,975	330,910	65
Other	1,139	1,139	0
Capital Outlay	27,156	27,156	0
Total Operating Expenses	741,756	741,691	65
Operating (Loss)	(237,723)	(237,659)	(64)
Non-Operating Revenues and Expenses:			
Interest	3,162	3,162	0
Federal and State Subsidies	253,923	253,923	0
Excess of Revenues Over Expenses	19,362	19,426	0
Fund Equity at Beginning of Year	156,451	156,451	0
Prior Year Encumbrances Appropriate	225	225	0
Total Fund Equity at End of Year	\$ 176,037	\$ 176,102	(\$64)

See Accompanying Notes to the General Purpose Financial Statements

Franklin City School District
 Combined Statement of Cash Flows
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 1999

	<u>Enterprise</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$ 504,034
Cash Payments to Suppliers for Goods and Services	(370,775)
Cash Payments to Employees for Services	(333,730)
Cash Payments for Employee Benefits	(1,139)
Net Cash Used for Operating Activities	<u>(201,610)</u>
 <u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	253,923
Net Cash Provided by Noncapital Financing Activities	<u>253,923</u>
 <u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments for Capital Acquisitions	(18,953)
Net Cash Used for Capital and Related Financing Activities	<u>(18,953)</u>
 <u>Cash Flows from Investing Activities:</u>	
Interest	3,162
Net Cash Provided by Investing Activities	<u>3,162</u>
Net Increase in Cash and Cash Equivalents	36,522
Cash and Cash Equivalents at Beginning of Year	156,674
Cash and Cash Equivalents at End of Year	<u><u>\$193,196</u></u>
 <u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>	
Operating Loss	(\$295,953)
 <u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u>	
Donated Commodities Used During Year	58,978
Depreciation	21,617
 <u>Changes in Assets and Liabilities:</u>	
Decrease in Supplies Inventory	410
Decrease in Inventory Held for Resale	1,235
Increase in Accounts Payable	13,176
Increase in Accrued Wages and Benefits	3,292
Decrease in Compensated Absences Payable	(1,270)
Decrease in Intergovernmental Payable	(3,095)
Net Cash Used for Operating Activities	<u><u>(\$201,610)</u></u>

See Accompanying Notes to the General Purpose Financial Statement

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Franklin 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 and provides educational services as authorized by its charter or further mandated by state/or federal agencies. The Board controls the District's eight instructional facilities, staffed by 132 non-certified personnel and 207 full-time teaching personnel and administrative employees providing education to approximately 3,106 students.

The District is located in Franklin, Ohio and serves an area of approximately 36 square miles. The District operates six elementary schools (K-6), one junior high school (7-8), and one high school (9-12).

Reporting Entity:

The reporting entity is composed of the primary government. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For Franklin City School District, this includes general operations, food service, and student related activities of the District.

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

The District is associated with five organizations which are defined as jointly governed organizations and one organization that is defined as an insurance purchasing pool. These organizations are the Southwestern Ohio Computer Association (SWOCA), Warren County Career Center, the Dayton Area Superintendent's Association (DASA), the Southwestern Ohio Educational Purchasing Council (SOEPC), the Southwestern Ohio Instructional Technology Association (SOITA), and the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), respectively. These organizations are presented in Notes 14 and 15 to the general purpose financial statements.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to Generally Accepted Accounting Principles (GAAP) for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting principles are described below.

A. Basis Of Presentation - Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in the enterprise fund and the trust fund) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund - The General Fund is the operating fund of the School 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 School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Proprietary Fund Type:

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

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

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the enterprise or trust fund.

B. Measurement Focus and Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, which are intended to finance fiscal year 2000 operations and delinquent property taxes, whose availability is indeterminable have been recorded as deferred revenue.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. 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 appropriations 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 primary 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 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources:

Prior to April 1, the Board of Education 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 School 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 School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999. The School District requested and received prior to year-end, and amended certificate in which estimated revenues equal actual.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions. The School District passed an amended appropriation measure which matched appropriations to expenditures plus encumbrances at year-end.

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 non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

D. Cash and Cash Equivalents

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

During fiscal year 1999, investments were limited to STAR Ohio and certificates of deposit.

Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

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

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund, the student activities special revenue fund, the permanent improvement capital projects fund, and the lunchroom enterprise fund during fiscal year 1999 amounted to \$88,152, \$253, \$21,877, and \$3,162, which includes \$48,385 assigned from other School District funds.

For purposes of the Combined Statement of Cash Flows and for presentation of the Combined Balance Sheet, investments of the cash management pool and investments with a maturity of three months or less at the time they were purchased by the District are considered to be cash equivalents.

E. Inventory

Inventories of enterprise funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of enterprise funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which services are consumed.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of twenty years.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

Disadvantaged Pupil Impact Aid
Education Management Information Systems
Power Up
Textbook Subsidy
Title VI-B

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Title I
Title VI
Drug-Free Schools
E-Rate
Venture Capital
Public School Preschool
Professional Development Block Grant

Capital Projects Funds

School Net
School Net Plus

Reimbursable Grants

General Fund

Driver Education Reimbursement
Vocational Education Travel/Salary

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements received in governmental funds amounted to approximately 49% percent of the governmental fund revenue during the 1999 fiscal year.

I. Short-Term Interfund Assets/Liabilities

Short-term interfund loans are classified as “interfund receivables/payables.”

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees’ wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for classified employees after ten years of current service with the School District and for certified employees and administrators after ten years of service. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources.

These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and the contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have been paid using current available financial resources. Bonds and long-term loans are reported as a liability of the general long-term obligations account group until due. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to reflect statutory restrictions on their use. By statute, money must be set aside to create a budget stabilization reserve, and may also include amounts for the purchase of textbooks and instructional materials, and for the construction or acquisition of capital improvements. The balance held by the School District for school bus purchases as required by the Ohio Revised Code has also been restricted. The reserve for budget stabilization consists of a refund received in fiscal year 1999 from the Bureau of Workers' Compensation, which State statute required to be included in this reserve. See Note 19 for the calculations of the year-end restricted asset balances and the corresponding fund balance reserves.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure.

Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes, budget stabilization, and school bus purchases. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents the refund from the Bureau of Workers' Compensation and prior year balance.

O. Estimates

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

P. Total Columns on General Purpose Financial Statements

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

NOTE 3 - BUDGET TO GAAP RECONCILIATION

Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types and Expendable Trust Fund and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Enterprise Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

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

NOTE 3 - BUDGET TO GAAP RECONCILIATION (Continued)

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

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$(409,106)	\$ 45,461	\$ 45,538	(\$600,332)	\$132
Revenue Accruals	(37,978)	61,500	(604)	0	0
Expenditure Accruals	154,249	(5,109)	0	23	0
Advances In	3,255	1,448	0	0	0
Advances Out	(1,448)	(3,255)	0	0	0
Encumbrances	(126,096)	(30,697)	0	(17,024)	0
Budget Basis	(\$417,124)	\$ 69,348	\$ 44,934	(\$617,333)	\$ 132

Net Income/Excess of Revenues Over (Under) Expenses, Transfers and Advances
Enterprise Fund

	<u>Enterprise</u>
GAAP Basis	\$ 12,323
Revenue Accrual	7,787
Expense Accrual	15,391
Capital Outlay	(18,953)
Depreciation Expense	21,617
Encumbrances	(17,094)
Inventory held for resale	(1,235)
Materials and Supplies	<u>(410)</u>
Budget Basis	\$19,426

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United states treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or nay other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

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

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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

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 School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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 School District's deposits was \$728,390 and the bank balance was \$1,088,851. Of the bank balance, \$280,023 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized as defined by the GASB. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investments in deferred compensation and STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

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

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

	<u>Category 3</u>	<u>Carrying Value</u>	<u>Fair Market Value</u>
Repurchase Agreement	\$87,415	\$87,415	\$87,415
STAR Ohio		\$887,565	\$887,565
Totals	\$87,415	\$974,980	\$974,980

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, entitled "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting." A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$1,703,370	\$0
Investments:		
Repurchase Agreement	(87,415)	87,415
STAR Ohio	(887,565)	887,565
GASB Statement 3	\$728,390	\$974,980

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

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

NOTE 5 - PROPERTY TAXES (Continued)

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 1999 real property taxes are collected in and intended to finance fiscal year 2000.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999 and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which fiscal year 1999 taxes were collected are:

	<u>1998 Second- Half Collections</u>		<u>1999 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$198,670,430	74.13%	\$207,500,480	74.18%
Public Utility	21,007,540	7.84	21,578,320	7.71
Tangible Personal Property	<u>48,333,982</u>	<u>18.03</u>	<u>50,634,896</u>	<u>18.11</u>
Total Assessed Value	<u>\$268,011,952</u>	<u>100.00%</u>	<u>\$279,713,696</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$54.33		\$54.33	

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

NOTE 5 - PROPERTY TAXES – CONTINUED

Manufacture Home Tax, commonly referred to as House Trailer Tax, is based on the purchase price obtained from the title: (1) ninety-five percent unfurnished or (2) eighty percent furnished with a five percent drop each year.

NOTE 6 - RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund:	
Warren County Career Center\$	420
Warren County Ed. Service Center	98
State of Ohio (Dr. Ed. Rmbmt.)	9,450
Warren County MRDD	180
Total General Fund	\$ 10,148
Special Revenue Funds:	
School To Work	\$ 2,394
Picture Money	2,176
Title I	3,872
Total Special Revenue Funds	\$ 8,442
Total Intergovernmental Receivables	\$ 18,590

NOTE 7 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$416,293
Less Accumulated Depreciation	(285,659)
Net Fixed Assets	\$130,634

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

NOTE 7 - FIXED ASSETS (Continued)

A summary of the changes in general fixed assets during fiscal year 1999 follows:

<u>Asset Category</u>	<u>Balance at 6/30/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/99</u>
Land and Improvements	\$1,623,760	\$55,840	\$0	\$1,679,600
Buildings and Improvements	12,506,366	341,129	0	12,847,495
Furniture, Fixtures and Equipment	4,387,986	459,418	4,606	4,842,798
Vehicles	<u>1,078,782</u>	<u>45,617</u>	<u>0</u>	<u>1,124,399</u>
Total General Fixed Assets	<u>\$19,596,894</u>	<u>\$902,004</u>	<u>\$4,606</u>	<u>\$20,494,292</u>

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

NOTE 8 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Utica Nationwide Insurance through Shera Insurance Agency for property insurance. There is a \$1,000 deductible with this coverage. Professional liability is protected by the Nationwide Mutual Insurance Company with \$1,000,000 and \$5,000,000 single and aggregate limits respectively.

The District's vehicles are covered by Nationwide Insurance and have \$50 and \$250 deductibles for comprehensive and collision respectively. Automobile liability has a \$1,000,000 combined single limit of liability.

The District carries performance bonds in the amount of \$20,000 for both the superintendent and board president. These bonds are held by the Nationwide Mutual Insurance Company. Ohio Casualty Ins. Comp. Maintains a \$20,000 public official bond for the treasurer. UTICA National Insurance Group holds a \$10,000 blanket bond for all other employees.

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.

Workers' Compensation

For fiscal year 1999, the School District participated in the Southwestern Ohio Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP 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 GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the

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

NOTE 8 - RISK MANAGEMENT (Continued)

State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management of Ohio provides administrative, cost control and actuarial services to the GRP.

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (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. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent was the portion used to fund pension obligations. 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 School District's required contributions to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$158,203, \$200,880, and \$204,112, respectively; 41.48 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$92,585 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

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

NOTE 10 - POST EMPLOYMENT BENEFITS

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For the fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$473,288, \$901,475, and \$977,436, respectively; 80.55 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$92,036 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from the STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1999, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$631,050 during the 1999 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 1999, the allocation rate is 6.3 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 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

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

NOTE 11 - EMPLOYEE BENEFITS

The target level for the health care reserve is 125 percent 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. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$167,624 during the 1999 fiscal year.

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 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators do not earn vacation time, with the exception of the Superintendent, Asst. Superintendent, Curriculum Coordinator and Treasurer. Teachers, Administrators, and employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days for teachers, 210 days for classified employees and 204 days for administrators. Upon retirement, payment for unused sick days are paid as follows: teachers and administrators are paid 25% of their unused sick leave up to a maximum of 53 days, classified employees are paid 25% of their unused sick leave up to a maximum of 40 days.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through The Great American Reserve Insurance Company.

The District provides comprehensive medical/surgical (including major medical) coverage through private carriers to most employees. Employees have the option of enrolling in a traditional medical plan with Anthem Community Mutual Insurance Company, a health maintenance plan with the United Health Care Corporation or in Anthem Community Choice, an in network/out of network provider plan. The District and employees share in the monthly premiums.

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

NOTE 12 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Principal Outstanding <u>6/30/98</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>6/30/99</u>
General Obligation Bonds 1997 4.7528%	\$3,174,989	\$ 0	\$ 210,000	\$ 2,964,989
EPA Loan 1995 4.65%	<u>477,122</u>	<u>0</u>	<u>97,630</u>	<u>379,492</u>
Total General Obligation Bonds	<u>3,652,111</u>	<u>0</u>	<u>307,630</u>	<u>3,344,481</u>
Intergovernmental Payable	109,606	119,103	109,606	119,103
Compensated Absences	<u>1,346,894</u>	<u>0</u>	<u>105,860</u>	<u>1,241,034</u>
Total General Long-Term Obligations	<u>\$5,108,611</u>	<u>\$ 119,103</u>	<u>\$ 523,096</u>	<u>\$4,704,618</u>

The School District's voted legal debt margin was \$22,586,999 with an unvoted debt margin of \$279,714 at June 30, 1999.

The general obligation bonds and school energy bonds will be paid from the debt service fund. Compensated absences and the intergovernmental payable for pension obligations will be paid from the fund from which the person is paid.

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 1999, are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$322,207	\$93,808	\$416,015
2001	337,086	80,264	417,350
2002	352,153	65,912	418,065
2003-2007	1,363,047	144,558	1,507,605
2008-2012	660,034	749,966	1,410,000
2013-2015	<u>309,954</u>	<u>530,046</u>	<u>840,000</u>
Total	<u>\$3,344,481</u>	<u>\$ 1,664,554</u>	<u>\$ 5,009,035</u>

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

NOTE 12 - LONG-TERM OBLIGATIONS (Continued)

In prior years, the School District defeased general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. On June 30, 1999, \$3.17 million of bonds outstanding are considered defeased.

NOTE 13 - INTERFUND ACTIVITY

As of June 30, 1999, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund Type/Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$1,498	\$0
Special Revenue Fund:		
STW SubGrant	2,500	4,498
Agency Fund:		
Student Activites	<u>3,000</u>	<u>2,500</u>
	<u>\$6,998</u>	<u>\$6,998</u>

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

Southwestern Ohio Computer Association (SWOCA)

The District is a participant in the Southwestern Ohio Computer Association (SWOCA), which is a computer consortium A-site used by the District. SWOCA is an association of public districts within the boundaries of Butler, Hamilton, Preble, and Warren Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The governing board of SWOCA consists of one representative from each of the participating members plus one representative from the fiscal agent. The School District paid SWOCA \$56,874 for services provided during the year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Warren County Career Center

The Warren County Career Center, a jointly governed organization, is a district political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from the participating school district's elected board, which possesses its own budgeting and taxing authority. Accordingly, the Warren County Career Center is not part of the District and its operations are not included as part of the reporting entity.

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

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

The Dayton Area Superintendent's Association

The Dayton Area Superintendent's Association (DASA) is an organization formed by area school Superintendents to present problems, seek solutions, reach consensus and take appropriate action to resolve issues. The organization also shares information among its members and provides, on a contractual basis, inservice education for the school management team.

Membership in the organization is open to the greater Dayton area school system superintendents, assistant superintendents, directors, and professional staff members of institutions of higher education, and/or Region IX of the Buckeye Association of School Administrators. Region IX presently includes Champaign, Clark, Dare, Greene, Miami, Montgomery, Preble, and Shelby Counties. The Executive Committee is comprised of eight representatives of DASA member schools or institutions. The members of the Executive Committee are elected annually in each county. The County Superintendent of each county is responsible for the nomination and election of their representative.

All member schools are obligated to pay all dues and fees established by the Executive Committee. During fiscal year 1999, the School District paid \$10 to DASA from the general fund. To obtain financial information, write to The Dayton Area Superintendent's Association, Buddy Coffey, DASA Executive Secretary, 1t 451 West Third Street, Dayton, Ohio 45422-1040.

Southwestern Ohio Educational Purchasing Council

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The Montgomery County Educational Service Center acts as the Fiscal Agent for the group. The purpose of the council 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 1999, the School District paid \$4,067 to SOEPC. To obtain financial information, write the Southwestern Ohio Educational Purchasing Council, Robert Brown, who services ad Director, at 1831 Harshman Road, Dayton, Ohio 45424.

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

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Southwestern Ohio Instructional Technology Association

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

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties 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 the 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 representative. 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. During fiscal year 1999, the School District paid \$6,923 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who services as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

NOTE 15 - INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

The School District participates in the Southwestern Ohio Education Purchasing Council Workers' Compensation Group Rating Plan (GRP) - an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 17 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 1999, the General Fund had a deficit fund balance of \$840,869. The Disadvantaged Pupil Impact Aid, Title I, Drug Free Grant, and Able/Job Service expansion Special Revenue Funds had deficit fund balances of \$5,885, \$8,484, \$645, and \$94, respectively, which was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 18 - SCHOOL FUNDING COURT 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 the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$6,014,440 in Formula Aid of school foundation support for its general fund.

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

NOTE 18 - SCHOOL FUNDING COURT DECISION (Continued)

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

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

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside an amount based on prior year revenues for the purchase of textbooks and other instructional materials and an additional amount for capital improvements. Amounts not spent by year-end or offset by similarly restricted resources must be held in cash at year-end and carried forward to be used for the same purposes in future years. Amounts are also to be set aside if the School District’s base amount used for the yearly set-aside calculation increases three percent or more from the prior year. This amount is to be included in the budget stabilization reserve. The School District also receives monies designated for school bus purchases. This amount is shown as a reserve for bus purchases.

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

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

A. TEXTBOOKS AND INSTRUCTIONAL MATERIALS

Set-aside balance carried forward from the prior year		\$0
Current year set-aside requirement	\$253,878	
Qualifying expenditures made during the year	(523,935)	
Amount of offsets for the year	<u>(41,425)</u>	
Total		<u>(311,482)</u>
Balance of set-aside to be carried forward to next year		<u><u>\$0</u></u>

B. CAPITAL IMPROVEMENTS

Set-aside balance carried forward from the prior year		\$0
Current year set-aside requirement	\$253,878	
Qualifying expenditures made during the year	(655,522)	
Amount of offsets for the year	<u>(123,937)</u>	
Total		<u>(525,581)</u>
Balance of set-aside to be carried forward to next year		<u><u>\$0</u></u>

C. BUDGET STABILIZATION

Set-aside balance carried forward from the prior year (Workers' Compensation refund)		\$64,911
Current year set-aside requirement		\$0
Workers' Compensation refund received during the year	<u>\$ 5,867</u>	
Total		<u>\$ 5,867</u>
Balance of set-aside to be carried forward to next year		<u><u>\$70,778</u></u>

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

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)

D. SCHOOL BUS PURCHASES

Balance carried forward from the prior year	\$ 86,623
Current year amount received	\$ 40,406
Qualifying expenditures made during the year	<u>(86,623)</u>
Total	<u>(46,217)</u>
Balance to be carried forward to next year	<u><u>\$ 40,406</u></u>

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

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550	\$0	\$58,940	\$0	\$58,978
School Breakfast Program	05-PU-99 05-PU-98	10.553	40,900 7,683 <u>48,583</u>	- - -	40,900 7,683 <u>48,583</u>	- - -
National School Lunch Program	03-PU-99 03-PU-98 04-PU-99 04-PU-98	10.555	40,985 8,457 121,076 24,784 <u>195,302</u>	- - - - -	40,985 8,457 121,076 24,784 <u>195,302</u>	- - - - -
Total U.S. Department of Agriculture - Nutrition Cluster			<u>243,885</u>	<u>58,940</u>	<u>243,885</u>	<u>58,978</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	6B-SF-98 6B-SF-97	84.027 84.027	127,935 0 <u>127,935</u>	- - -	97,990 25,144 <u>123,134</u>	- - -
Special Education - Preschool Grants	PG-S1-98 PG-S1-97	84.173 84.173	3,549 0 <u>3,549</u>	- - -	3,481 2,380 <u>5,861</u>	- - -
Total Special Education Cluster			<u>131,484</u>	<u>-</u>	<u>128,995</u>	<u>-</u>
Title I Grants to Local Educational Agencies	C1-S1-99 C1-S1-98	84.010 84.010	499,348 70,195 <u>569,543</u>	- - -	429,502 105,066 <u>534,568</u>	- - -
Safe and Drug-Free Schools and Communities State Grants	DR-S1-99 DR-S1-98	84.186 84.186	15,631 0 <u>15,631</u>	- - -	14,691 2,897 <u>17,588</u>	- - -
Eisenhower Professional Development State Grants	MS-S1-99 MS-S1-98 MS-S1-97	84.281 84.281 84.281	16,340 0 0 <u>16,340</u>	- - - -	6,628 5,191 4,199 <u>16,018</u>	- - - -
Innovative Education Program Strategies	C2-S1-99 C2-S1-98	84.298 84.298	10,915 0 <u>10,915</u>	- - -	0 4,825 <u>4,825</u>	- - -
<i>Passed Through Miami University:</i>						
School to Work	9199 9099 9098	84.278 84.278 84.278	1,669 2,973 2,791 <u>7,433</u>	- - - -	1,801 3,018 349 <u>5,168</u>	- - - -
Total Department of Education			<u>751,346</u>	<u>-</u>	<u>707,162</u>	<u>-</u>
Totals			<u>\$995,231</u>	<u>\$58,940</u>	<u>\$951,047</u>	<u>\$58,978</u>

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

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 1999

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, 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. At June 30, 1999, the District had no significant food commodities in its inventory.

NOTE C - NATIONAL SCHOOL LUNCH PROGRAM

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



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

Franklin City School District
Warren County
150 East Sixth Street
Franklin, Ohio 45005

To the Board of Education:

We have audited the financial statements of the Franklin City School District, Warren County, Ohio (the District), as of and for the fiscal year ended June 30, 1999, and have issued our report thereon dated March 15, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 15, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted one immaterial matter involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated March 15, 2000.

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

March 15, 2000



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

Franklin City School District
Warren County
150 East Sixth Street
Franklin, Ohio 45005

To the Board of Education:

Compliance

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

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 1999.

Internal Control Over Compliance

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

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

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

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

Jim Petro
Auditor of State

March 15, 2000

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title 1, CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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FRANKLIN CITY SCHOOL DISTRICT

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 4, 2000