



**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Jefferson Township Local School District
Montgomery County
2989 South Union Road
Dayton, Ohio 45418-1598

To the Board of Education:

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

We conducted our audit in accordance with the 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 cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 1, 2000, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

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

JIM PETRO
Auditor of State

February 1, 2000

Jefferson Township Local School District

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>ASSETS AND OTHER DEBITS</u>				
ASSETS:				
Equity in pooled cash and cash equivalents	\$859,217	\$396,484	\$643	\$110,010
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent	3,275,516			111,136
Accounts	13,965			
Interfund loan receivable	6,000			
Due from other governments		86,279		
Prepayments	8,702			
Materials and supplies inventory	22,081			
Restricted assets:				
Equity in pooled cash and cash equivalents	81,288			
Property, plant and equipment (net of accumulated depreciation where applicable)				
OTHER DEBITS:				
Amount available in Debt Service Fund				
Amount to be provided for retirement of General Long-Term Obligations				
Total assets and other debits	\$4,266,769	\$482,763	\$643	\$221,146

(Continued)

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$94,771	\$16,000			\$1,477,125
				3,386,652
				13,965
				6,000
55,797				142,076
				8,702
4,634				26,715
				81,288
47,496		\$5,617,932		5,665,428
			\$643	643
			547,179	547,179
<u>\$202,698</u>	<u>\$16,000</u>	<u>\$5,617,932</u>	<u>\$547,822</u>	<u>\$11,355,773</u>

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999
(Continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$51,714	\$13,653		\$941
Accrued wages and benefits	516,259	77,296		14
Compensated absences payable	29,173			
Pension obligation payable	73,564	16,632		
Interfund loan payable		6,000		
Deferred revenue	3,171,145			107,683
Due to students				
Energy conservation bonds payable				
Total liabilities	3,841,855	113,581	643	108,638
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	17,909	18,857		60,533
Reserved for supplies inventory	22,081			
Reserved for prepayments	8,702			
Reserved for debt service			\$643	
Reserved for tax revenue unavailable for appropriation	104,371			3,453
Reserved for budget stabilization	68,897			
Reserved for instructional material	12,391			
Unreserved-undesignated	190,563	350,325		48,522
Total equity and other credits	424,914	369,182	643	112,508
Total liabilities, equity and other credits	\$4,266,769	\$482,763	\$643	\$221,146

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$6,266				\$72,574
16,509				610,078
2,800			\$318,635	350,608
22,291			49,187	161,674
				6,000
1,756				3,280,584
	\$15,917			15,917
			180,000	180,000
49,622	15,917		547,822	4,677,435
		\$5,617,932		5,617,932
153,076				153,076
				97,299
				22,081
				8,702
				643
				107,824
				68,897
				12,391
	83			589,493
153,076	83	5,617,932		6,678,338
<u>\$202,698</u>	<u>\$16,000</u>	<u>\$5,617,932</u>	<u>\$547,822</u>	<u>\$11,355,773</u>

COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 1999

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$2,571,098			\$89,103		\$2,660,201
Tuition	41,590					41,590
Earnings on investments	65,095					65,095
Other local revenues	32,661	\$124,719			\$124	157,504
Other revenue		3,000				3,000
Intergovernmental - State	2,790,193	216,651		102,807		3,109,651
Intergovernmental - Federal		658,568				658,568
Total revenue	5,500,637	1,002,938		191,910	124	6,695,609
Expenditures:						
Current:						
Instruction:						
Regular	2,062,365	174,234		90,554		2,327,153
Special	304,308	483,284				787,592
Vocational	54,945					54,945
Other	176,832					176,832
Support services:						
Pupil	263,483	63,187				326,670
Instructional staff	84,303	20,773				105,076
Board of Education	20,606					20,606
Administration	540,245	26,796		2,477	146	569,664
Fiscal	423,943	1,264		3,352		428,559
Operations and maintenance	650,981			6,716		657,697
Pupil transportation	440,982					440,982
Central	39,098	41,387				80,485
Community services		6,011				6,011
Extracurricular activities	67,657	55,891				123,548
Facilities services				134,578		134,578
Debt service:						
Principal retirement			\$30,000			30,000
Interest and fiscal charges			10,530			10,530
Total expenditures	5,129,748	872,827	40,530	237,677	146	6,280,928
Excess (deficiency) of revenues over (under) expenditures	370,889	130,111	(40,530)	(45,767)	(22)	414,681
Other financing sources (uses):						
Operating transfers in			40,530			40,530
Operating transfers out	(40,530)					(40,530)
Total other financing sources (uses)	(40,530)		40,530			0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	330,359	130,111	0	(45,767)	(22)	414,681
Fund balance, July 1	97,728	239,071	643	158,275	105	495,822
Decrease in reserve for inventory	(3,173)					(3,173)
Fund balance, June 30	\$424,914	\$369,182	\$643	\$112,508	\$83	\$907,330

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

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

	General Fund			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$2,564,395	\$2,608,218	\$43,823			
Tuition	40,891	41,590	699			
Earnings on investments	64,001	65,095	1,094			
Other local revenues	2,973	3,024	51	\$165,468	\$126,172	(\$39,296)
Other revenue				3,934	3,000	(934)
Intergovernmental - State	2,743,312	2,790,193	46,881	284,126	216,650	(67,476)
Intergovernmental - Federal				802,982	612,286	(190,696)
Total revenues	<u>5,415,572</u>	<u>5,508,120</u>	<u>92,548</u>	<u>1,256,510</u>	<u>958,108</u>	<u>(298,402)</u>
Expenditures:						
Current:						
Instruction:						
Regular	2,064,196	2,005,185	59,011	236,539	168,202	68,337
Special	300,452	289,075	11,377	522,949	471,281	51,668
Vocational	57,390	59,960	(2,570)			
Other	127,002	176,736	(49,734)			
Support services:						
Pupil	275,524	267,803	7,721	74,716	67,808	6,908
Instructional staff	93,731	81,648	12,083	24,475	26,227	(1,752)
Board of Education	29,045	20,550	8,495			
Administration	563,014	535,357	27,657	25,696	29,584	(3,888)
Fiscal	409,356	423,712	(14,356)	1,932	2,108	(176)
Operations and maintenance	686,969	654,982	31,987			
Pupil transportation	413,413	451,512	(38,099)			
Central	19,840	37,244	(17,404)	11,686	38,364	(26,678)
Community services	3,000	169	2,831	6,015	16,484	(10,469)
Extracurricular activities	75,978	65,892	10,086	40,738	59,706	(18,968)
Facilities services						
Debt service:						
Principal retirement						
Interest and fiscal charges						
Total expenditures	<u>5,118,910</u>	<u>5,069,825</u>	<u>49,085</u>	<u>944,746</u>	<u>879,764</u>	<u>64,982</u>
Excess (deficiency) of revenues over (under) expenditures	<u>296,662</u>	<u>438,295</u>	<u>141,633</u>	<u>311,764</u>	<u>78,344</u>	<u>(233,420)</u>
Other financing sources (uses):						
Refund of prior year's expenditures	15,409	15,672	263	52	40	(12)
Operating transfers in	24,685	25,107	422			
Operating transfers (out)	(67,000)	(66,815)	185			
Advances in	9,832	10,000	168	20,983	16,000	(4,983)
Advances (out)	(16,000)	(16,000)	0	(10,000)	(10,000)	0
Total other financing sources (uses)	<u>(33,074)</u>	<u>(32,036)</u>	<u>1,038</u>	<u>11,035</u>	<u>6,040</u>	<u>(4,995)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>263,588</u>	<u>406,259</u>	<u>142,671</u>	<u>322,799</u>	<u>84,384</u>	<u>(238,415)</u>
Fund balance, July 1	422,026	422,026	0	258,479	258,479	0
Prior year encumbrances appropriated	42,429	42,429	0	13,765	13,765	0
Fund balance, June 30	<u>\$728,043</u>	<u>\$870,714</u>	<u>\$142,671</u>	<u>\$595,043</u>	<u>\$356,628</u>	<u>(\$238,415)</u>

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

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
			\$63,686	\$91,038	\$27,352	\$2,628,081	2,699,256	\$71,175
						40,891	41,590	699
						64,001	65,095	1,094
						168,441	129,196	(39,245)
						3,934	3,000	(934)
			71,920	102,807	30,887	3,099,358	3,109,650	10,292
						802,982	612,286	(190,696)
			<u>135,606</u>	<u>193,845</u>	<u>58,239</u>	<u>6,807,688</u>	<u>6,660,073</u>	<u>(147,615)</u>
			39,330	90,559	(51,229)	2,340,065	2,263,946	76,119
						823,401	760,356	63,045
						57,390	59,960	(2,570)
						127,002	176,736	(49,734)
						350,240	335,611	14,629
						118,206	107,875	10,331
						29,045	20,550	8,495
			2,747	2,746	1	591,457	567,687	23,770
			2,624	3,352	(728)	413,912	429,172	(15,260)
			9,501	10,016	(515)	696,470	664,998	31,472
						413,413	451,512	(38,099)
						31,526	75,608	(44,082)
						9,015	16,653	(7,638)
						116,716	125,598	(8,882)
			141,533	201,808	(60,275)	141,533	201,808	(60,275)
\$30,000	\$30,000	\$0				30,000	30,000	0
6,500	10,530	(4,030)				6,500	10,530	(4,030)
<u>36,500</u>	<u>40,530</u>	<u>(4,030)</u>	<u>195,735</u>	<u>308,481</u>	<u>(112,746)</u>	<u>6,295,891</u>	<u>6,298,600</u>	<u>(2,709)</u>
(36,500)	(40,530)	(4,030)	(60,129)	(114,636)	(54,507)	511,797	361,473	(150,324)
						15,461	15,712	251
40,530	40,530	0				65,215	65,637	422
						(67,000)	(66,815)	185
						30,815	26,000	(4,815)
						(26,000)	(26,000)	0
<u>40,530</u>	<u>40,530</u>	<u>0</u>				<u>18,491</u>	<u>14,534</u>	<u>(3,957)</u>
4,030	0	(4,030)	(60,129)	(114,636)	(54,507)	530,288	376,007	(154,281)
644	644	0	139,945	139,945	0	821,094	821,094	0
			23,227	23,227	0	79,421	79,421	0
<u>\$4,674</u>	<u>\$644</u>	<u>(\$4,030)</u>	<u>\$103,043</u>	<u>\$48,536</u>	<u>(\$54,507)</u>	<u>\$1,430,803</u>	<u>\$1,276,522</u>	<u>(\$154,281)</u>

COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 1999

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating revenues:	
Tuition and fees	\$3,679
Sales/charges for services	<u>71,750</u>
Total operating revenues	75,429
Operating expenses:	
Personal services	232,970
Contract services	20,329
Materials and supplies	184,363
Depreciation	<u>6,399</u>
Total operating expenses	444,061
Operating loss	(368,632)
Nonoperating revenues:	
Operating grants	330,462
Federal commodities	14,905
Interest revenue	<u>999</u>
Total nonoperating revenues	<u>346,366</u>
Net loss	(22,266)
Retained earnings, July 1	<u>175,342</u>
Retained earnings, June 30	<u><u>\$153,076</u></u>

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

COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED JUNE 30, 1999

	Proprietary Fund Type
	<u>Enterprise</u>
Cash flows from operating activities:	
Cash received from tuition and fees	\$3,956
Cash received from sales/service charges	71,750
Cash payments for personal services	(217,695)
Cash payments for contract services	(21,123)
Cash payments supplies and materials	<u>(168,512)</u>
Net cash used in operating activities	(331,624)
Cash flows from noncapital financing activities:	
Cash received from operating grants	<u>315,901</u>
Net cash provided by noncapital financing activities	315,901
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(15,891)</u>
Net cash used in capital and related financing activities	(15,891)
Cash flows from investing activities:	
Interest received	<u>999</u>
Net cash provided by investing activities	<u>999</u>
Net decrease in cash and cash equivalents	(30,615)
Cash and cash equivalents at beginning of year	<u>125,386</u>
Cash and cash equivalents at end of year	<u><u>\$94,771</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	(\$368,632)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	6,399
Federal donated commodities	14,905
Changes in assets and liabilities:	
Decrease in supplies inventory	2,129
Decrease in accounts receivable	277
Decrease in accounts payable	(1,287)
Increase in accrued wages & benefits	8,889
Increase in compensated absences payable	1,332
Increase in pension obligation payable	5,054
Decrease in deferred revenue	<u>(690)</u>
Net cash used in operating activities	<u><u>(\$331,624)</u></u>

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

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Jefferson Township Local School District ("District") is located in Montgomery County and encompasses all of Jefferson Township. The District serves an area of approximately 35 square miles.

The District was established through the consolidation of existing land areas and school districts and is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the school district is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District ranks as the 556th largest by enrollment among the 612 districts in the State, and 16th in Montgomery County. It currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school. The District employs 52 non-certified and 77 certified employees to provide services to 782 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Reporting Entity

The District's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

Jointly Governed Organizations:

Miami Valley Career Tech Joint Vocational School

The vocational school district is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The JVS accepts non-tuition students from the District as a member school, however, it is considered a separate political subdivision and is not considered to be part of the District.

Metropolitan Dayton Educational Cooperative (MDECA)

The District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Darke, Greene, Miami and Montgomery 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 school districts.

The governing board of MDECA consists of one representative from each district plus one representative from the fiscal agent. Financial information can be obtained from Jerry C. Woodyard, Executive Director of MDECA at 201 Riverside Drive, Dayton, Ohio 45405.

The District also participates in an insurance group purchasing pool, described in Note 10.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, 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 financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

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

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

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 expenditures for specified purposes.

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

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

PROPRIETARY FUNDS

Proprietary Funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the District's Proprietary Fund Type:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the 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 (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Fund Accounting (Continued)

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These 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. The Agency Fund is presented on a budget basis, with note disclosure regarding items which, in other fund types, would be subject to accrual.

ACCOUNT GROUPS

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

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

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

C. Measurement Focus/Basis of Accounting

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

The Proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. The Proprietary Fund Type operating statement presents increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 1999, and which are intended to finance fiscal 2000 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus/Basis of Accounting (Continued)

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1999, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The District reports deferred revenue 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. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary fund is accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

D. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 1999 is as follows:

1. Prior to January 15 of the preceding year, 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Montgomery County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Budgets (Continued)

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. 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.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 1999 in the following amounts:

	<u>Increase</u>
General Fund	\$304,383
Special Revenue Funds	203,090
Debt Service Fund	34,030
Capital Projects Funds	210,408
Enterprise Funds	41,526
Trust Funds	71
Agency Funds	<u>13,920</u>
Total	<u>\$807,428</u>

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reservation of fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Enterprise funds at year-end are disclosed in Note 11.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Cash and Investments

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

During 1999, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements.

Investments in STAR Ohio are reported at fair value. Fair value is based on quoted market prices. Repurchase agreements are reported at cost.

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.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General fund during fiscal 1999 totaled \$65,095, which included \$29,431 assigned from other funds of the District.

An analysis of the Treasurer's investment account at year end is provided in Note 4.

F. Inventory

Inventories for all Governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of the Proprietary fund are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Prepaids

Prepayments for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayments are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$250 and a useful life of less than one year. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Assets Account Group.

2. Proprietary Fund

Equipment reflected in this fund is stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. A 10% salvage value is used for Proprietary fixed assets. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

Asset	Life (years)
Buildings	25 - 50
Furniture, Fixtures and Minor Equipment	5 - 20
Vehicles	4 - 6

I. Intergovernmental Revenues

In Governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary fund operations are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund
State Foundation Program
State Property Tax Relief

Special Revenue Funds
Disadvantaged Pupil Impact Aid

Capital Projects Funds
State Property Tax Relief

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Intergovernmental Revenues (Continued)

Non-Reimbursable Grants

Special Revenue Funds

Auxiliary Services
Management Information Systems
Title VI-B
Teacher Development
Education Research and Development for At Risk/Excellence
Vocational Education
Title I
Title VI
Drug-Free School
Instructional Materials Subsidy
Preschool for the Handicapped

Capital Projects Funds

SchoolNet
Interactive Video Distance Learning

Reimbursable Grants

General Fund

Driver Education
School Bus Purchases
Library Automation

Special Revenue Funds

Underground Storage Tank

Capital Projects Funds

Asbestos Abatement/Handicapped Access

Proprietary Funds

National School Lunch Program
National School Milk Program

Grants and entitlements amounted to over 57% of the District's operating revenue during the 1999 fiscal year.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Compensated Absences (Continued)

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service and all employees with at least twenty (20) years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from the Proprietary Fund is recorded as an expense when earned.

K. Long-Term Obligations

Long-term debt is recognized as a liability of a Governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a Governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group. Long-term liabilities expected to be financed from Proprietary fund operations are accounted for in those funds.

L. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, debt service, materials and supplies inventory, tax revenue unavailable for appropriation, budget stabilization and prepaids. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

M. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Interfund Transactions

2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 1999 is presented in Note 5.

N. Statutory Reserves

The District is required by State law to set-aside certain General fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside cash balance as of June 30, 1998	\$ 0	\$ 0	\$25,107	\$ 25,107
Current year set-aside requirement	87,580	87,580	43,790	218,950
Current year offsets	(13,088)	(91,037)		(104,105)
Qualifying disbursements	<u>(62,121)</u>	<u>(124,343)</u>	<u> </u>	<u>(186,464)</u>
Total	<u>12,391</u>	<u>(127,800)</u>	<u>68,897</u>	<u>(46,512)</u>
Cash balance carried forward to FY 2000	<u>\$ 12,391</u>	<u>\$ 0</u>	<u>\$68,897</u>	<u>\$ 81,288</u>

Although the District had offsets 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.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Statutory Reserves (Continued)

A schedule of the restricted assets at June 30, 1999 follows:

Amount restricted for budget stabilization	<u>\$68,897</u>
Amount restricted for instructional materials	<u>12,391</u>
Total restricted assets	<u>\$81,288</u>

O. Statement of Cash Flows

The District's Financial Statements have been prepared in accordance with GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. For purposes of GASB Statement No. 9, "Cash and Cash Equivalents" refers to "Equity in Pooled Cash and Cash Equivalents". The District has presented a statement of cash flows for its Proprietary Fund Type.

P. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. The District accounts for its Proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Q. Restricted Assets

Certain assets of the General Fund are classified as restricted assets because their use is completely restricted by State legislation.

R. Estimates

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

S. Nicholas Residential Treatment Center

Current state legislation provides funding to Nicholas Residential Treatment Center ("the Center"). These monies are received and distributed on behalf of the Center by the Treasurer of the District, as directed by the Center. The receipt and fiduciary liability of these state monies are reflected in a Special Revenue Fund for financial reporting purposes.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

T. Memorandum Only - Total Columns

Total columns on the General Purpose Financial Statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position 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 - ACCOUNTABILITY AND COMPLIANCE

A. Legal Compliance

The following fund accounts had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41(B), Ohio Revised Code:

<u>Fund Type/Fund/Function</u>	<u>Excess</u>
<u>General</u>	
<u>General Fund</u>	
Regular Instruction/Capital Outlay	\$600
Vocational Education/Salaries	3,311
Other Instruction/Contract Services	49,724
Plant Operation & Maintenance/Supplies	6,397
Pupil Transportation/Salaries	32,983
Central Services/Salaries	16,042
Central Services/Employee Benefits	2,102
Extracurricular Activities/Salaries	5,293
<u>Debt Service</u>	
Bond Retirement	
Repayment of Debt/Interest	4,030
<u>Capital Project</u>	
Permanent Improvement	
Plant Operation & Maintenance/Capital Outlay	515
Building Improvement/Capital Outlay	59,989
School Net 9297	
Regular Instruction/Salaries	640
Regular Instruction/Employee Benefits	120
Interactive Video Distance Learning 9299	
Regular Instruction/Capital Outlay	54,026
<u>Special Revenue Funds</u>	
Principal 9100	
Administration Services/Contract Services	115
Administration Services/Supplies	3,085
Principal 9000	
Administration Services/Supplies	735

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

<u>Fund Type/Fund/Function</u>	<u>Excess</u>
Principal 9200	
Administrative Services/Supplies	354
District Managed Activity 9000	
Extracurricular Activities/Contract Services	1,644
Extracurricular Activities/Supplies	16,567
District Managed Activity 9200	
Extracurricular Activities/Supplies	731
Auxiliary Services 9298	
Community Services/Supplies	1,095
Community Services/Capital Outlay	2,315
Auxiliary Services 9299	
Community Services/Supplies	2,786
Community services/Capital Outlay	4,276
Career Development 9299	
Pupil Services/Supplies	148
Teacher Development 9298	
Pupil Services/Capital Outlay	600
Teacher Development 9299	
Pupil Development/Salaries	352
Management Information System 9297	
Fiscal Services/Capital Outlay	176
Management Information System 9298	
Administration Services/Capital Outlay	624

B. Deficit Fund Balances

Fund balances at June 30, 1999 included the following individual fund deficit:

	<u>Deficit Balance</u>
<u>Special Revenue Fund</u>	
Title VI-B	\$(1,609)

This GAAP deficit will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

NOTE 4 - EQUITY IN POOLED CASH 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 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.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys 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 any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, Deposits With Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements.

Deposits: At year-end the carrying amount of the District's deposits was \$43,957 and the bank balance was \$114,387. Of the bank balance:

1. \$100,000 was covered by federal deposit insurance.
2. \$14,387 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

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

	<u>Category 3</u>	<u>Fair Value</u>
Repurchase Agreement	\$502,857	\$ 502,857
Not Subject to Categorization:		
STAR Ohio	<u> </u>	<u>1,011,599</u>
Total Investments	<u>\$502,857</u>	<u>\$1,514,456</u>

The classification of cash and cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled, Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

A reconciliation between the classifications of cash and cash equivalents and investments per GASB Statement No. 9 on the combined balance sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Pooled Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 1,558,413	
Investments of the Cash		
Management Pool:		
Repurchase Agreement	(502,857)	\$ 502,857
STAR Ohio	<u>(1,011,599)</u>	<u>1,011,599</u>
GASB Statement No. 3	<u>\$ 43,957</u>	<u>\$1,514,456</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a reconciliation of the District's operating transfers for fiscal year 1999:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund		\$(40,530)
Debt Service Fund	\$40,530	
Total	<u>\$40,530</u>	<u>\$(40,530)</u>

B. Interfund Loans Payable/Receivable

Interfund balances at June 30, 1999, consist of the following individual interfund loans receivable and payable:

	<u>Interfund Loans Receivable</u>	<u>Interfund Loans (Payable)</u>
General Fund	\$6,000	
<u>Special Revenue Fund</u>		
District Managed Student Activities		<u>\$(6,000)</u>
Total Interfund Loans	<u>\$6,000</u>	<u>\$(6,000)</u>

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 1998 taxes were collected was \$66,823,305. Agricultural/Residential and public utility real estate represented 72.57% or \$48,495,430 of this total; Commercial & Industrial real estate represented 7.20% or \$4,812,633 of this total; public utility tangible represented 9.48% or \$6,331,082 of this total; and general tangible property represented 10.75% or \$7,184,160 of this total. The voted general tax rate for operations at the fiscal year ended June 30, 1999 was \$53.30 per \$1,000.00 of assessed valuation and the voted tax rate for permanent improvements was \$2.00 per \$1,000.00 of assessed valuation.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 6 - PROPERTY TAXES - (Continued)

The Montgomery County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August. Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1999, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, accounts (rent and student fees), and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current & Delinquent	\$3,275,516
Accounts	13,695
 <u>Special Revenue Funds</u>	
Due From Other Governments	86,279
 <u>Capital Projects Funds</u>	
Taxes - Current & Delinquent	111,136
 <u>Enterprise Funds</u>	
Due From Other Governments	55,797

NOTE 8 - FIXED ASSETS

A summary of the changes in the General Fixed Assets Account Group during the fiscal year follows:

	<u>Balance July 1, 1998</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 1999</u>
Land/ Improvements	\$ 262,282			\$ 262,282
Buildings/ Improvements	3,549,436			3,549,436
Furniture/ Equipment	1,058,821	\$208,885		1,267,706
Vehicles	<u>538,508</u>			<u>538,508</u>
Total	<u>\$5,409,047</u>	<u>\$208,885</u>	<u>\$ 0</u>	<u>\$5,617,932</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 8 - FIXED ASSETS (Continued)

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

Furniture and Equipment	\$ 157,485
Less: Accumulated Depreciation	<u>(109,989)</u>
Net Fixed Assets	<u>\$ 47,496</u>

NOTE 9 - LONG-TERM OBLIGATIONS

A. Energy conservation bonds outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these bonds are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these bonds are recorded as expenditures in the Debt Service fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of these bonds without voter approval, and the subsequent repayment of the notes from operating revenues. The following is a description of the bonds outstanding as of June 30, 1999:

	Interest Rates	Maturity Date	Bonds Outstanding July 1, 1998	Bonds Issued In 1999	Bonds Retired In 1999	Bonds Outstanding June 30, 1999
H.B. 264 - Energy Bonds	5.40%	12/01/05	\$ 210,000	\$ 0	\$30,000	\$180,000
			<u>\$ 210,000</u>	<u>\$ 0</u>	<u>\$30,000</u>	<u>\$180,000</u>

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

Year Ending	Principal on Bonds	Interest on Bonds	Total
2000	\$ 30,000	\$ 8,910	\$ 38,910
2001	25,000	7,425	32,425
2002	25,000	6,075	31,075
2003	25,000	4,725	29,725
2004	25,000	3,375	28,375
2005 - 2006	<u>50,000</u>	<u>2,700</u>	<u>52,700</u>
Total	<u>\$180,000</u>	<u>\$33,210</u>	<u>\$213,210</u>

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

	Balance July 1, 1998	Increase	Decrease	Balance June 30, 1999
Compensated Absences:				
Sick Leave (severance)	\$ 320,264		\$ (35,522)	\$284,742
Vacation	27,355	\$ 6,538		33,893
H.B. 264 - Energy Bonds	210,000		(30,000)	180,000
Pension Obligation Payable	<u>54,676</u>	<u>49,187</u>	<u>(54,676)</u>	<u>49,187</u>
Total	<u>\$ 612,295</u>	<u>\$55,725</u>	<u>\$(120,198)</u>	<u>\$547,822</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 1999 are a voted debt margin of \$6,014,740 (including available funds of \$643) and an unvoted debt margin of \$66,823.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries employee health and general liability insurance coverage through a commercial carrier. Absent the deductible, the risk of loss transfers entirely to the commercial carrier.

The District purchases dental and workers compensation insurance through the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (the "Trust"). The Trust is a public entity risk pool currently operating as a common risk management and insurance program. The intent of the Trust is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Trust. The workers compensation experience of the participating school districts is calculated as one experience and the common premium rate is applied to all districts in the Trust. The Trust is self-sustaining through member premiums and will reinsure through commercial coverage for claims in excess of the pooling level per year.

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two Enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 1999.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating revenue	\$ 71,750	\$ 3,679	\$ 75,429
Depreciation	6,399		6,399
Operating income (loss)	(371,992)	3,360	(368,632)
Operating grants	330,462		330,462
Net income (loss)	(25,626)	3,360	(22,266)
Net working capital	84,640	23,740	108,380
Total assets	178,958	23,740	202,698
Long-term liabilities payable from fund revenues	2,800		2,800
Total liabilities	49,622		49,622
Total equity	129,336	23,740	153,076
Encumbrances at June 30	17,872		17,872

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 1999; 7.7 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$169,385, \$159,389, and \$146,359, respectively; 52 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$81,252, which represents 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 District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$422,872, \$423,215, and \$465,890, respectively; 84 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$67,656, which represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 1998, members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 13 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the STRS, and to retired non-certified employees and their dependents through the SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are 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 are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1998, the Board allocates employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1998, this allocation was increased to 8 percent. For the District, this amount equaled \$241,641 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. As of July 1, 1998, eligible benefit recipients totaled 91,999. For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000.

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

For this fiscal year, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. 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 \$76,447 during the 1999 fiscal year.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance is done on a GAAP basis, the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances -Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental funds are as follows:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
Governmental Fund Types			
	General Fund	Special Revenue Funds	Capital Project Funds
Budget Basis	\$ 406,259	\$ 84,384	\$(114,636)
Net Adjustment for Revenue Accruals	(7,483)	44,830	(1,935)
Net Adjustment for Expenditure Accruals	(129,546)	(32,919)	9,330
Net Adjustment for Other Financing Sources (Uses)	(8,494)	(6,040)	
Encumbrances (Budget Basis)	<u>69,623</u>	<u>39,856</u>	<u>61,474</u>
GAAP Basis	<u>\$ 330,359</u>	<u>\$130,111</u>	<u>\$ (45,767)</u>

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is involved in no litigation as either plaintiff or defendant.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 15 - CONTINGENCIES

C. School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$2,313,257 in total (all funds) school foundation support.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to 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 June 30, 1999, 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 this program and on its financial operations.

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED 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						
(Passed through Ohio Department of Education)						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$14,853	\$0	\$18,417
School Breakfast Program	05-PU 98	10.553	26,504	0	26,504	0
	05-PU 99		58,712	0	58,712	0
School Lunch Program	03-PU 98	10.555	6,620	0	6,620	0
	03-PU 99		16,281	0	16,281	0
	04-PU 98		49,438	0	49,438	0
	04-PU 99		115,617	0	115,617	0
Summer Food Service Program	23-ML 98	10.559	4,807	0	35,648	0
	23-ML 99		14,334	0	0	0
	24-AD 98		3,664	0	3,664	0
Total U.S. Department of Agriculture - Nutrition Cluster			295,977	14,853	312,484	18,417
U.S. DEPARTMENT OF EDUCATION						
(Direct Assistance)						
Telecommunication Act Grant (FCC E-rate)	N/A	84.XXX	5,402	0	0	0
(Passed through State Library Board)						
Library Services And Technology Grant	1119E298	N/A	14,367	0	0	0
(Passed through Ohio Department of Education)						
Title I	C1-S1 98	84.010	40,000	0	120,016	0
	C1-S1 98C		31,006	0	0	0
	C1-S1 99		405,702	0	350,530	0
	C1-SD 98		0	0	292	0
	C1-SD 98C		420	0	0	0
	C1-SD 99		23,557	0	14,597	0
Total Title I			500,685	0	485,435	0
Special Education Cluster						
Educationally Handicapped Act - 6B	6B-SF 97P	84.027	(217)	0	3,978	0
	6B-SF 98P		33,936	0	26,391	0
Educationally Handicapped - Pre School - 6B	PG-S1 97P	84.173	(3,887)	0	2,511	0
	PG-S1 98P		1,521	0	0	0
Total Special Education Cluster			31,353	0	32,880	0
Drug Free Schools						
	DR-S1 98	84.186	0	0	253	0
	DR-S1 99		3,165	0	220	0
Total Drug Free Schools			3,165	0	473	0
Goals 2000						
	G2-S1 97C	84.276	(4,321)	0	6,269	0
	G2-S1 98P		36,900	0	4,634	0
	G2-S2 99		5,000	0	0	0
Total Goals 2000			37,579	0	10,903	0
Title VI						
	C2-S1 97	84.298	0	0	608	0
	C2-S1 98		0	0	7	0
	C2-S1 99		3,132	0	1,329	0
Total Title VI			3,132	0	1,944	0

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED JUNE 30, 1999
(Continued)**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
(Passed through Miami Valley Career Technology Center)						
Vocational Education	ICP 98	84.048	0	0	1,334	0
	ICP 99		1,604	0	0	0
Total Vocational Education			1,604	0	1,334	0
Total U.S. Department of Education			597,287	0	532,969	0
CORPORATION FOR NATIONAL SERVICE						
(Passed through Ohio Department of Education)						
Learn & Serve America	SV-S1 98	94.004	0	0	117	0
	SV-S1 98C		0	0	7,024	0
	SV-S3 99		15,000	0	831	0
Total Learn & Serve America			15,000	0	7,972	0
Total Federal Assistance			908,264	14,853	853,425	18,417

See accompanying notes to the schedule of federal awards expenditures.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED 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 the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture is reported in the schedule at the fair market value of the commodities received and consumed. Cash received from the U.S. Department of Agriculture is commingled with State grants. It is assumed that federal monies are expended first. At June 30, 1999, the District had a food commodities inventory of \$ 1,756.



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JIM PETRO, AUDITOR OF STATE

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Jefferson Township Local School District
Montgomery County
2989 South Union Road
Dayton, Ohio 45418-1598

To the Board of Education:

We have audited the financial statements of the Jefferson Township Local School District, Montgomery County, (the District), as of and for the year ended June 30, 1999, and have issued our report thereon dated February 1, 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 February 1, 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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated February 1, 2000.

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

JIM PETRO
Auditor of State

February 1, 2000



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

Jefferson Township Local School District
Montgomery County
2989 South Union Road
Dayton, Ohio 45418-1598

To the Board of Education:

Compliance

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

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

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

Internal Control over Compliance

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

Jefferson Township Local School District
Montgomery County
Report on Compliance with Requirements Applicable to each
Major Federal Program and Internal Control over
Compliance in Accordance with OMB Circular A-133
Page 2

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

JIM PETRO
Auditor of State

February 1, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
FOR THE FISCAL YEAR ENDED 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 noncompliance 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 I, Part A, IASA, CFDA 84.010 - Nutrition Cluster CFDA 10.550, 10.553, 10.555, 10.559
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid; Explain
1998-10357-001	Failure to account for fixed asset additions	Yes	
1998-10357-002	Failure to complete "412" Certificates	Yes	
1998-10357-003	Title I Funds used to supplant local funds	Yes	Corrected as of November 1, 1998
1997-10357-001	Title I questioned cost for high school math proficiency teacher	No action required.	
1997-10357-002	Title I Funds used to supplant local funds	Yes	Corrected as of November 1, 1998
1997-10357-003	Title I final expenditure report not submitted within 60 days after end of project period	Yes	



STATE OF OHIO
OFFICE OF THE AUDITOR

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JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 11, 2000**