

**TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Tipp City Exempted Village School District
Miami County
90 South Tippecanoe Drive
Tipp City, Ohio 45371

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 1999, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a horizontal line.

JIM PETRO
Auditor of State

December 29, 1999

***TIPP CITY
EXEMPTED VILLAGE
SCHOOL DISTRICT***

MIAMI COUNTY, OHIO

GENERAL PURPOSE
FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 1999

Prepared by:
Mr. Joseph E. Smith
District Treasurer

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
<u>Assets and Other Debits:</u>				
<i>Assets:</i>				
Cash and Cash Equivalents	\$1,278,271	\$291,232	\$11,497	\$288,017
Receivables (net of allowance for doubtful accounts):				
Taxes	7,038,956	0	0	507,244
Intergovernmental	25,856	0	0	0
Inventory of Supplies at Cost	0	0	0	0
Prepaid Items	29,154	6,369	0	0
Restricted Assets:				
Cash and Cash Equivalents	153,573	0	0	0
Cash with Fiscal Agents	0	0	66,727	0
Fixed Assets (net of accumulated depreciation)	0	0	0	0
<i>Other Debits:</i>				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	\$8,525,810	\$297,601	\$78,224	\$795,261
<u>Liabilities, Equity and Other Credits:</u>				
<i>Liabilities:</i>				
Accounts Payable	\$23,663	\$7,245	\$0	\$90,622
Accrued Wages and Benefits	1,112,885	14,907	0	0
Intergovernmental Payables	266,574	387	0	0
Due to Students	0	0	0	0
Matured Bonds and Interest Payable	0	0	66,727	0
Deferred Revenue - Taxes	6,570,557	0	0	479,624
Deferred Revenue	0	0	0	0
Compensated Absences Payable	0	0	0	0
Total Liabilities	7,973,679	22,539	66,727	570,246
<i>Equity and Other Credits:</i>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	181,069	29,679	0	132,806
Reserved for Property Taxes	445,572	0	0	26,088
Statutory Reserves	153,573	0	0	0
Reserved for Prepaid Items	29,154	6,369	0	0
Reserved for Debt Service	0	0	11,497	0
Unreserved:				
Undesignated	(257,237)	239,014	0	66,121
Total Equity and Other Credits	552,131	275,062	11,497	225,015
Total Liabilities, Equity and Other Credits	\$8,525,810	\$297,601	\$78,224	\$795,261

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

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999

<i>Proprietary Fund Types</i>		<i>Fiduciary Fund Types</i>	<i>Account Groups</i>		Totals (Memorandum Only)
Enterprise Funds	Internal Service Fund	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	
\$211,164	\$81	\$80,032	\$0	\$0	\$2,160,294
0	0	0	0	0	7,546,200
9,861	0	0	0	0	35,717
13,472	0	0	0	0	13,472
1,444	0	482	0	0	37,449
0	0	0	0	0	153,573
0	0	0	0	0	66,727
69,900	0	0	11,439,981	0	11,509,881
0	0	0	0	11,497	11,497
0	0	0	0	1,717,495	1,717,495
\$305,841	\$81	\$80,514	\$11,439,981	\$1,728,992	\$23,252,305
\$3,503	\$0	\$11,656	\$0	\$0	\$136,689
16,119	0	0	0	0	1,143,911
39,746	0	0	0	96,848	403,555
0	0	56,145	0	0	56,145
0	0	0	0	0	66,727
0	0	0	0	0	7,050,181
6,531	0	0	0	0	6,531
36,606	0	0	0	1,632,144	1,668,750
102,505	0	67,801	0	1,728,992	10,532,489
0	0	0	11,439,981	0	11,439,981
203,336	81	0	0	0	203,417
0	0	0	0	0	343,554
0	0	0	0	0	471,660
0	0	0	0	0	153,573
0	0	482	0	0	36,005
0	0	0	0	0	11,497
0	0	12,231	0	0	60,129
203,336	81	12,713	11,439,981	0	12,719,816
\$305,841	\$81	\$80,514	\$11,439,981	\$1,728,992	\$23,252,305

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

	<i>Governmental</i>			<i>Fiduciary</i>		Totals (Memorandum Only)
	<i>Fund Types</i>			<i>Fund Type</i>		
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Fund	
Revenues:						
Local Sources:						
Taxes	\$7,168,471	\$0	\$0	\$435,708	\$0	\$7,604,179
Tuition	11,971	0	0	0	0	11,971
Investment Earnings	137,784	0	0	0	0	137,784
Extracurricular Activities	0	356,646	0	0	7,860	364,506
Intergovernmental - State	4,868,936	60,848	0	271,596	0	5,201,380
Intergovernmental - Federal	0	169,197	0	0	0	169,197
All Other Revenues	22,598	22,923	0	0	11,141	56,662
Total Revenues	12,209,760	609,614	0	707,304	19,001	13,545,679
Expenditures:						
Current:						
Instruction	7,585,092	146,442	0	236,339	23,068	7,990,941
Supporting Services:						
Pupils	548,993	7,324	0	0	0	556,317
Instructional Staff	555,065	15,194	0	0	0	570,259
Board of Education	21,977	0	0	0	0	21,977
Administration	976,225	0	0	0	0	976,225
Fiscal Services	299,977	0	0	0	0	299,977
Business	114,270	0	0	0	0	114,270
Operation and Maintenance of Plant	979,223	0	0	0	0	979,223
Pupil Transportation	525,404	0	0	0	0	525,404
Central	192,071	5,014	0	123,894	0	320,979
Extracurricular Activities	282,912	381,646	0	0	8,529	673,087
Other Expenditures	60,014	0	0	0	0	60,014
Capital Outlay	0	0	0	329,061	0	329,061
Total Expenditures	12,141,223	555,620	0	689,294	31,597	13,417,734
Excess (Deficiency) of Revenues Over (Under) Expenditures	68,537	53,994	0	18,010	(12,596)	127,945
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	215	0	0	0	0	215
Refund of Prior Years' Expenditures (Receipts)	25,856	0	0	0	0	25,856
Total Other Financing Sources (Uses)	26,071	0	0	0	0	26,071
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	94,608	53,994	0	18,010	(12,596)	154,016
Fund Balance Beginning of Year	457,523	221,068	11,497	207,005	25,309	922,402
Fund Balance End of Year	\$552,131	\$275,062	\$11,497	\$225,015	\$12,713	\$1,076,418

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

**TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable, (Unfavorable)
Revenues:						
Local Sources:						
Taxes	\$7,176,755	\$7,176,755	\$0	\$0	\$0	\$0
Tuition	28,989	28,989	0	0	0	0
Investment Earnings	137,784	137,784	0	0	0	0
Extracurricular Activities	0	0	0	356,646	356,646	0
Intergovernmental - State	4,920,347	4,920,347	0	60,848	60,848	0
Intergovernmental - Federal	0	0	0	169,197	169,197	0
All Other Revenues	22,598	22,598	0	22,923	22,923	0
Total Revenues	12,286,473	12,286,473	0	609,614	609,614	0
Expenditures:						
Current:						
Instruction	7,731,811	7,683,216	48,595	268,087	160,779	107,308
Supporting Services:						
Pupils	541,376	535,988	5,388	11,262	8,074	3,188
Instructional Staff	574,175	554,965	19,210	23,482	13,963	9,519
Board of Education	29,960	22,836	7,124	0	0	0
Administration	1,022,013	989,283	32,730	0	0	0
Fiscal Services	304,362	296,994	7,368	0	0	0
Business	117,701	114,727	2,974	0	0	0
Operation and Maintenance of Plant	1,028,457	977,163	51,294	0	0	0
Pupil Transportation	731,087	634,885	96,202	0	0	0
Central	234,533	186,360	48,173	11,300	10,000	1,300
Extracurricular Activities	290,240	276,889	13,351	480,509	416,913	63,596
Capital Outlay	72,000	60,014	11,986	0	0	0
Debt Service:						
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	12,677,715	12,333,320	344,395	794,640	609,729	184,911
Excess (Deficiency) of Revenues Over (Under) Expenditures	(391,242)	(46,847)	344,395	(185,026)	(115)	184,911
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	215	215	0	0	0	0
Total Other Financing Sources (Uses)	215	215	0	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(391,027)	(46,632)	344,395	(185,026)	(115)	184,911
Fund Balance at Beginning of Year	1,007,190	1,007,190	0	193,667	193,667	0
Prior Year Encumbrances	245,088	245,088	0	60,756	60,756	0
Fund Balance at End of Year	\$861,251	\$1,205,646	\$344,395	\$69,397	\$254,308	\$184,911

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

**TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

<i>Debt Service Fund</i>			<i>Capital Projects Funds</i>			<i>Totals (Memorandum Only)</i>		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$0	\$0	\$0	\$436,257	\$436,257	\$0	\$7,613,012	\$7,613,012	\$0
0	0	0	0	0	0	28,989	28,989	0
0	0	0	0	0	0	137,784	137,784	0
0	0	0	0	0	0	356,646	356,646	0
0	0	0	271,596	271,596	0	5,252,791	5,252,791	0
0	0	0	0	0	0	169,197	169,197	0
0	0	0	0	0	0	45,521	45,521	0
0	0	0	707,853	707,853	0	13,603,940	13,603,940	0
0	0	0	362,975	299,290	63,685	8,362,873	8,143,285	219,588
0	0	0	0	0	0	552,638	544,062	8,576
0	0	0	0	0	0	597,657	568,928	28,729
0	0	0	0	0	0	29,960	22,836	7,124
0	0	0	0	0	0	1,022,013	989,283	32,730
0	0	0	0	0	0	304,362	296,994	7,368
0	0	0	0	0	0	117,701	114,727	2,974
0	0	0	0	0	0	1,028,457	977,163	51,294
0	0	0	0	0	0	731,087	634,885	96,202
0	0	0	139,079	139,079	0	384,912	335,439	49,473
0	0	0	0	0	0	770,749	693,802	76,947
0	0	0	484,571	484,242	329	556,571	544,256	12,315
100	0	100	0	0	0	100	0	100
100	0	100	986,625	922,611	64,014	14,459,080	13,865,660	593,420
(100)	0	100	(278,772)	(214,758)	64,014	(855,140)	(261,720)	593,420
0	0	0	0	0	0	215	215	0
0	0	0	0	0	0	215	215	0
(100)	0	100	(278,772)	(214,758)	64,014	(854,925)	(261,505)	593,420
11,497	11,497	0	87,853	87,853	0	1,300,207	1,300,207	0
0	0	0	191,494	191,494	0	497,338	497,338	0
\$11,397	\$11,497	\$100	\$575	\$64,589	\$64,014	\$942,620	\$1,536,040	\$593,420

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	<i>Enterprise Funds</i>	<i>Internal Service Fund</i>	<i>Totals (Memorandum Only)</i>
<u>Operating Revenues:</u>			
Tuition and Fees	\$87,622	\$0	\$87,622
Sales	449,257	0	449,257
Other Operating Revenues	481	10	491
Total Operating Revenues	537,360	10	537,370
<u>Operating Expenses:</u>			
Salaries and Wages	197,786	0	197,786
Fringe Benefits	57,070	0	57,070
Contractual Services	4,483	0	4,483
Materials and Supplies	360,268	0	360,268
Depreciation	10,381	0	10,381
Total Operating Expenses	629,988	0	629,988
Operating Income (Loss)	(92,628)	10	(92,618)
<u>Non-Operating Revenues (Expenses):</u>			
Federal Donated Commodities	38,115	0	38,115
Operating Grants	61,952	0	61,952
Investment Earnings	1,364	0	1,364
Total Non-Operating Revenues (Expenses)	101,431	0	101,431
Net Income	8,803	10	8,813
Retained Earnings at Beginning of Year	194,533	71	194,604
Retained Earnings at End of Year	\$203,336	\$81	\$203,417

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

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	<i>Enterprise Funds</i>	<i>Internal Service Fund</i>	<i>Totals (Memorandum Only)</i>
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$449,738	\$10	\$449,748
Cash Received from Tuition and Fee Payments	87,622	0	87,622
Cash Payments for Goods and Services	(328,619)	0	(328,619)
Cash Payments to Employees for Services and Benefits	(269,626)	0	(269,626)
Net Cash Provided (Used) by Operating Activities	(60,885)	10	(60,875)
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	61,120	0	61,120
Net Cash Provided by Noncapital Financing Activities	61,120	0	61,120
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Payments for Capital Acquisitions	(2,840)	0	(2,840)
Net Cash Used for Capital and Related Financing Activities	(2,840)	0	(2,840)
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	1,364	0	1,364
Net Cash Provided by Activities	1,364	0	1,364
Net Increase (Decrease) in Cash and Cash Equivalents	(1,241)	10	(1,231)
Cash and Cash Equivalents at Beginning of Year	212,405	71	212,476
Cash and Cash Equivalents at End of Year	\$211,164	\$81	\$211,245
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u> Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	(\$92,628)	\$10	(\$92,618)
<u> Adjustments to Reconcile Operating Loss to</u>			
<u> Net Cash Used by Operating Activities:</u>			
Depreciation Expense	10,381	0	10,381
Donated Commodities Used During the Year	38,115	0	38,115
<u> Changes in Assets and Liabilities:</u>			
Decrease in Inventory	1,783	0	1,783
Increase in Prepaid Items	(451)	0	(451)
Decrease in Accounts Payable	(1,235)	0	(1,235)
Decrease in Accrued Wages and Benefits	(6,225)	0	(6,225)
Increase in Intergovernmental Payables	2,354	0	2,354
Decrease in Deferred Revenue	(2,080)	0	(2,080)
Decrease in Compensated Absences	(10,899)	0	(10,899)
Total Adjustments	31,743	0	31,743
Net Cash Provided (Used) by Operating Activities	(\$60,885)	\$10	(\$60,875)

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

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Tipp City Exempted Village School District, Ohio (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is governed by a locally elected five member Board of Education (the Board) which provides educational services.

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

The District is associated with organizations which are defined as insurance purchasing pool, a jointly governed organization, and a related organization. These organizations are presented in Notes 11, 13 and 14 to the general purpose financial statements.

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

B. Basis of Presentation - Fund Accounting

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

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

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

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

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

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

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds

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

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

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

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

C. Basis of Accounting

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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

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

D. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

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

1. Tax Budget

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

2. Estimated Resources

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the fiscal year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 1999.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

3. Appropriations

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

4. Encumbrances

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

5. Lapsing of Appropriations

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

6. Budgetary Basis of Accounting

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)6. Budgetary Basis of Accounting (Continued)

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

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses		
	General Fund	Special Revenue Funds	Capital Projects Funds
GAAP Basis (as reported)	\$94,608	\$53,994	\$18,010
Increase (Decrease):			
Accrued Revenues at June 30, 1999, received during FY 2000	(494,255)	0	(27,620)
Accrued Revenues at June 30, 1998, received during FY 1999	545,112	0	28,169
Accrued Expenditures at June 30, 1999, paid during FY 2000	1,403,122	22,539	90,622
Accrued Expenditures at June 30, 1998, paid during FY 1999	(1,373,441)	(35,104)	(100,511)
FY 1998 Prepays for FY 1999	33,574	1,749	0
FY 1999 Prepays for FY 2000	(29,154)	(6,369)	0
Encumbrances Outstanding	(226,198)	(36,924)	(223,428)
Budget Basis	<u>(\$46,632)</u>	<u>(\$115)</u>	<u>(\$214,758)</u>

E. Cash and Cash Equivalents

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

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each had maintained its own cash and investment account. See Note 2, "Cash, Cash Equivalents and Investments."

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District reports its repurchase agreements and money market funds at cost. See Note 2, "Cash, Cash Equivalents and Investments."

G. Inventory

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

H. Fixed Assets and Depreciation

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

1. Property, Plant and Equipment - General Governmental Purposes

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

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

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

2. Property, Plant and Equipment - Proprietary Fund

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation (Continued)

2. Property, Plant and Equipment - Proprietary Fund (Continued)

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

Description	Estimated Lives (years)
Machinery, Equipment, Furniture and Fixtures	8-20

I. Long-Term Obligations

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

Obligation	Fund
Compensated Absences	General Fund, Food Services Fund

J. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the vesting method. Employees may earn 15 days of sick leave per year up to a cumulative maximum of 210 days. Upon retirement, employees can receive a portion of the sick leave, between 27% to 39%, depending on the type of employment contract. In addition, Merit Service Retirement Award may be paid for sick leave balances in excess of the 210 days depending upon the type of employment contract. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

K. Pensions

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Interfund Transactions

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

- Operating transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Operating Transfers In" by the recipient fund, and "Operating Transfers Out" by the disbursing fund.
- Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds.
- Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. There were no residual equity transfers made during the fiscal year.

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

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish reserves for textbooks, capital acquisition, and budget stabilization. This reserve is required by state statute.

N. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for debt service, prepaid items, property taxes, statutory requirements, and encumbered amounts which have not been accrued at fiscal year end. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles, but not available for appropriations under state statute.

O. Total Columns on Combined Financial Statements - Overview

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

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

Category 2 consists of "inactive" funds - those funds not required for use within the current two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

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

Deposits:

- Category 1 Insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3 Uncollateralized. (This category includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the District's name.)

Investments:

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

A. Deposits

At fiscal year end the carrying amount of the District's deposits was \$489,230 and the bank balance was \$635,170. The Federal Deposit Insurance Corporation (FDIC) covered \$4,224 of the bank balance. All remaining deposits were classified as Category 3.

Investment earnings of \$39,383 earned by other funds except the Food Service Fund were credited to the General Fund as required by state statute.

B. Cash with Fiscal Agents

In addition to deposits, the District had cash with fiscal agents in the amount of \$66,727, the entire amount was insured by the FDIC.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

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

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Investments

The District's investments at June 30, 1999 were as follows:

Categorized Investments	Category 2	Fair Value
Repurchase Agreement	\$1,824,637	\$1,824,637
Total Investments	<u>\$1,824,637</u>	<u>\$1,824,637</u>

D. Reconciliation of Cash, Cash Equivalents and Investments

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

	Cash and Cash Equivalents	Investments
Per Combined Balance Sheet	\$2,313,867	\$0
Investments:		
Repurchase Agreements	(1,824,637)	1,824,637
Per GASB Statement No. 3	<u>\$489,230</u>	<u>\$1,824,637</u>

NOTE 3 - STATUTORY RESERVES

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

	Textbook Reserve	Capital Acquisition Reserve	Budget Stabilization Reserve	Total
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$53,018	\$53,018
Current Year Set-Aside Requirement	201,110	201,110	100,555	502,775
Current Year Offset Credits	0	0	0	0
Qualifying Disbursements	(201,110)	(201,110)	0	(402,220)
Total	<u>\$0</u>	<u>\$0</u>	<u>\$153,573</u>	<u>\$153,573</u>
Cash Balance Carried Forward to FY 2000	<u>\$0</u>	<u>\$0</u>	<u>\$153,573</u>	<u>\$153,573</u>
Amount Restricted for Budget Stabilization				153,573
Total Restricted Assets				<u>\$153,573</u>

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

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

NOTE 4 - PROPERTY TAXES

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

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Tipp City Exempted Village School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed value upon which the fiscal year 1999 receipts were based are:

	1998 Second Half Collections	1999 First Half Collections
Agricultural/Residential and Other Real Estate	\$221,059,830	\$247,613,910
Public Utility Personal	15,898,200	16,134,230
Tangible Personal Property	37,387,610	41,821,790
Total Assessed Value	<u>\$274,345,640</u>	<u>\$305,569,930</u>
Tax rate per \$1,000 of assessed valuation	\$51.18	\$45.78

NOTE 5 - RECEIVABLES

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

NOTE 6 - FIXED ASSETS

A. General Fixed Assets

Summary by category of changes in general fixed assets:

Class	June 30, 1998	Additions	Deletions	June 30, 1999
Land	\$1,062,811	\$60,014	\$0	\$1,122,825
Buildings	6,338,433	0	0	6,338,433
Improvements Other than Buildings	558,741	0	0	558,741
Machinery and Equipment	2,018,755	312,738	(50,603)	2,280,890
Vehicles	1,060,203	78,889	0	1,139,092
Totals	\$11,038,943	\$451,641	(\$50,603)	\$11,439,981

B. Proprietary Fixed Assets

Summary by Category at June 30, 1999:

Category	Historical Cost	Accumulated Depreciation	Book Value
Machinery and Equipment	\$290,739	(\$220,839)	\$69,900
Total Property, Plant and Equipment	\$290,739	(\$220,839)	\$69,900

NOTE 7 - DEFINED BENEFIT PENSION PLANS

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

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

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

The SERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The SERS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the SERS of Ohio. Interested parties may obtain a copy by making a written request to SERS, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

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

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 1998, (the latest information available) 9.02% was allocated to fund the pension and 4.98% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 1999, 1998, and 1997 were \$278,898, \$260,022, and \$237,546, respectively, which were equal to the required contributions for each year.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. The portion of the 1998 employer contribution rate (identified above) that was used to fund health care for the year 1998 was 4.98%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 1999, the minimum pay has been established as \$12,400 and the surcharge amounted to \$32,509.

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

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

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

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

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9.3%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions to the STRS of Ohio for the years ending June 30, 1999, 1998, and 1997 were \$979,308, \$962,820, and \$949,428, respectively, which were equal to the required contributions for each year.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

NOTE 8- COMPENSATED ABSENCES

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

	Sick Leave	Vacation	Total
Liability	\$1,571,946	\$60,198	\$1,632,144

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

NOTE 9 - LONG-TERM OBLIGATIONS

Long-term obligations of the District at June 30, 1999 were as follows:

	Balance June 30, 1998	Increase (Decrease)	Balance June 30, 1999
General Long-Term Obligations:			
Intergovernmental Payable	\$97,226	(\$378)	\$96,848
Compensated Absences	1,751,198	(119,054)	1,632,144
Total General Long-Term Obligations	\$1,848,424	(\$119,432)	\$1,728,992

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

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

NOTE 10 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operation of Food Services and Uniform School Supply Sales. The key financial information for the fiscal year ended June 30, 1999 for these enterprise activities is as follows:

	Food Services	Uniform School Supply	Total
Operating Revenues	\$449,738	\$87,622	\$537,360
Depreciation Expense	10,381	0	10,381
Operating Income (Loss)	(97,666)	5,038	(92,628)
Net Income	3,765	5,038	8,803
Property, Plant and Equipment:			
Additions	2,840	0	2,840
Operating Grants	100,067	0	100,067
Total Assets	257,195	48,646	305,841
Net Working Capital	123,497	46,545	170,042
Total Equity	156,791	46,545	203,336

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 1999 the District contracted with several different insurance providers for various insurance coverages, as follows:

Insurance Provider	Coverage	Deductible
Indiana Insurance Company	Automobile	\$500
Indiana Insurance Company	Commercial Property	\$250
Cincinnati Insurance Company	Boiler and Machinery	\$250
Harcum-Hyre Insurance Company	General Liability	\$0

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

NOTE 11 - RISK MANAGEMENT (Continued)

The District participates in the Southwestern Ohio Educational Purchasing Cooperative Group Rating Program (the GRP), an insurance purchasing pool. The group rating plan for workers' compensation was established under Section 4123.29 of the Ohio Revised Code. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 12 - GRANTS

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

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS

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

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

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

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Southwestern Ohio Educational Purchasing Cooperative (SOEPC) - SOEPC is a purchasing cooperative made up of nearly one hundred school districts in twelve counties. The Montgomery County Board of Education acts as fiscal agent for the group. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment and supplies purchased by the SOEPC is held in trust for the member district by the fiscal agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Cooperative, 1831 Harshman Road, Dayton, Ohio 45424.

NOTE 14 - RELATED ORGANIZATION

Tipp City Public Library (Library) - The Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Tipp City Exempted Village School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Tipp City Public Library, Clerk/Treasurer, 11 East Main Street, Tipp City, Ohio 45371.

NOTE 15 - CONTINGENCY

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$4,214,732 of school foundation support for its general fund. Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws, and in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional. As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 16 - YEAR 2000 ISSUE

The year 2000 Issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations as early as fiscal year 1999.

Tipp City Exempted Village School District has completed an Inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting District operations and has identified such systems as being financial reporting, payroll, and education management information system (EMIS).

- The financial reporting system and payroll system have been assessed, remediated, tested and validated by the vendor. The vendor has represented in a letter dated May 7, 1998, that "Effective April 1998, S&F Software, Inc. will start to update all financial software to be Year 2000 compliant. S&F software started to identify and change all computer software modules in February, 1997 with completion in March of 1998. All identified modules were changed and successfully tested to produce the necessary computational results."
- The Education Management Information System (EMIS) software has been assessed, remediated, tested and validated by the vendor. The vendor in a letter dated November 25, 1998, stated that NCS Software "confirms that the following NCS products have been examined for Year 2000 readiness and have been found to be compliant."
 - CIMS III/CMS GT SMS Student Management System
 - CIMS III/CMS GT SAS Student Attendance System
 - CIMS III/CMS GT SSS Student Scheduling System
 - CIMS III/CMS GT SGS Student Grading System
 - CIMS III/CMS GT CSO CIMS Scanning OperationThese software versions have been obtained by the District

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

The State of Ohio distributes a substantial sum of money to the District in the form of 'Foundation' and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through the State's Education Management and Information System (EMIS). The State is responsible for remediating these systems.

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



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

Board of Education
Tipp City Exempted Village School District
Miami County
90 South Tippecanoe Drive
Tipp City, Ohio 45371

To the Board of Education:

We have audited the financial statements of the Tipp City Exempted Village School District, Miami County (the "District"), as of and for the year ended June 30, 1999, and have issued our report thereon dated December 29, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

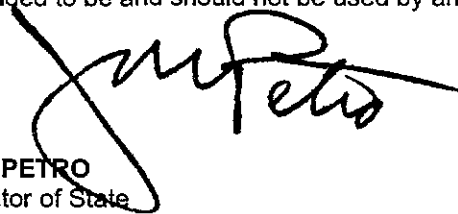
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of 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 December 29, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-10355-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 29, 1999.

This report is intended for the information and use of the management and Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.



JIM PETRO
Auditor of State

December 29, 1999

**SCHEDULE OF FINDINGS
For the Year Ending June 30, 1999**

Finding Number	1999-10355-001
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The District contracted with an asset valuation company in February, 1999, to revise their fixed asset listing. They expected the company to provide an updated fixed asset listing for the fiscal year ending June 30, 1999.

In examining the Notes to the Financial Statements we noticed that the District had restated the beginning balances for the General Fixed Assets Account Group and Enterprise Fund. In determining the reason for these restatements we examined the revised fixed asset schedule provided by the valuation company and found the following discrepancies:

- a. The valuation date was as of February 18, 1999, consequently, any additions and deletions after this date were not included on the Districts fixed assets schedule.
- b. Land had been overstated by \$577,889 because the appreciated value had been used rather than *historical cost*.
- c. The valuation for vehicles had been understated by \$74,484.
- d. For the Enterprise funds the fully depreciated items had been deleted from the fixed asset schedule which understated machinery and equipment by \$88,035 and accumulated depreciation by \$86,513. In addition, we were unable to use the schedule provided since the wrong amounts were in the columns, such as, the annual depreciation amount being included in the accumulated depreciation column.

As a result of the items mentioned above the General Fixed Asset Account Group and Enterprise Fund fixed assets were materially misstated on the financial statements. This required the Treasurer to manually prepare a schedule using the June 30, 1998 audited amounts and the additions and deletions for 1999 and prepare a new schedule to arrive at acceptable June 30, 1999 balances.

The valuation company failed to comply with the Districts need to maintain their fixed asset listing at historical cost in accordance with generally accepted accounting principles and provide an accurate annual listing. The District failed to monitor the activities and reports generated by this company to ensure that the proper information for reporting was provided.

The District should implement policies and procedures to adequately monitor the activities and reports provided by the valuation company to prevent errors in the reporting of fixed assets from occurring in subsequent periods.



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TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

MIAMI COUNTY

CLERK'S CERTIFICATION

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

By: Susan Babbitt

Date: JANUARY 27, 2000