

BEAVERCREEK CITY SCHOOL DISTRICT

Financial Statements

June 30, 2001

with

Independent Auditors' Report



STATE OF OHIO
OFFICE OF THE AUDITOR

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Board of Education
Beavercreek City School District
3040 Kemp Road
Beavercreek, Ohio 45431

We have reviewed the independent auditor's report of the Beavercreek City School District, Greene County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Ohio Administrative Code section 117-2-03(B) requires the School District's financial statements to be prepared in accordance with accounting principles generally accepted in the United States (GAAP). However the School District did not prepare their financial statements in accordance with GAAP. Failing to follow generally accepted accounting principles is a condition sufficient for the Ohio Department of Education to place the School District in a Fiscal Caution Status. This status requires the School District to submit a corrective action plan to the Department. The Auditor of State is referring this report to the Ohio Department of Education.

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

JIM PETRO
Auditor of State

January 4, 2002

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BEAVERCREEK CITY SCHOOL DISTRICT

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

Independent Auditors' Report

Board of Education
Beavercreek City School District
3040 Kemp Road
Beavercreek, Ohio 45431

We have audited the accompanying financial statements of the Beavercreek City School District (the District) as of and for the year ended June 30, 2001. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above, present fairly, in all material respects, the combined fund cash balances of the Beavercreek City School District as of June 30, 2001, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated September 6, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Clare Schaefer, Hackett & Co.
Springfield, Ohio
September 6, 2001

BEAVERCREEK CITY SCHOOL DISTRICT

Greene County, Ohio

Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances
All Governmental Fund Types and Similar Fiduciary Funds
For the Year Ended June 30, 2001

	GOVERNMENTAL FUND TYPES			FIDUCIARY	Total (Memorandum Only)	
	General	Special Revenue	Debt Service	FUND Expendable Trust		
Cash Receipts						
Local Taxes	\$25,877,825	\$ -	\$ 3,237,313	\$ 1,533,756	\$ -	\$30,648,894
Tuition and Fees	360,508	-	-	-	-	360,508
Transportation Fees	123,438	-	-	-	-	123,438
Earnings on Investment	417,786	16,127	-	4,099	908	438,920
Extracurricular Receipts	-	458,324	-	-	-	458,324
Miscellaneous Receipts	103,431	34,186	-	-	-	137,617
Total Local Receipts	26,882,988	508,637	3,237,313	1,537,855	908	32,167,701
Unrestricted Grants-in-Aid	14,065,235	18,447	404,470	189,145	-	14,677,297
Restricted Grants-in-Aid	164,965	1,009,695	-	143,118	-	1,317,778
Total State Receipts	14,230,200	1,028,142	404,470	332,263	-	15,995,075
Unrestricted Grants-in-Aid	202,901	-	-	-	-	202,901
Restricted Grants-in-Aid	-	1,116,236	-	-	-	1,116,236
Total Federal Receipts	202,901	1,116,236	-	-	-	1,319,137
Total Cash Receipts	41,316,089	2,653,015	3,641,783	1,870,118	908	49,481,913
Cash Disbursements						
Instruction:						
Regular	19,123,040	213,787	-	675,916	-	20,012,743
Special	4,278,206	354,041	-	-	-	4,632,247
Vocational	193,963	-	-	-	-	193,963
Other	869,531	27,007	-	-	-	896,538
Total Instruction	24,464,740	594,835	-	675,916	-	25,735,491
Support Services:						
Pupils	2,810,964	165,563	-	-	-	2,976,527
Instructional Staff	2,130,463	200,641	-	-	-	2,331,104
Board of Education	26,410	-	-	-	-	26,410
Administration	2,756,477	131,036	3,878	7,605	-	2,898,996
Fiscal	1,285,634	-	50,054	24,130	-	1,359,818
Business	147,805	-	-	19,404	-	167,209
Operation and Maintenance	4,533,112	-	-	471,017	1,650	5,005,779
Pupil Transportation	2,265,826	732	-	55,087	-	2,321,645
Central Services	568,077	20,496	-	17,326	-	605,899
Total Support Services	16,524,768	518,468	53,932	594,569	1,650	17,693,387
Community Services	-	947,355	-	-	-	947,355
Academic/Subject Oriented	125,259	154,409	-	-	-	279,668
Sports Oriented	509,159	166,007	-	-	-	675,166
Co-Curricular Activities	9,497	813	-	-	-	10,310
Total Extracurricular Activities	643,915	1,268,584	-	-	-	1,912,499

(Continued)

See accompanying notes to the financial statements.

BEAVERCREEK CITY SCHOOL DISTRICT

Greene County, Ohio

Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances
All Governmental Fund Types and Similar Fiduciary Funds
For the Year Ended June 30, 2001
(Continued)

	GOVERNMENTAL FUND TYPES				FIDUCIARY	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	FUND Expendable Trust	
Site Improvement	11,609	-	-	54,841	-	66,450
Architecture and Engineering	-	-	-	29,350	-	29,350
Building Improvement	-	-	-	615,453	-	615,453
Other Facilities Acq & Construction	228,060	-	-	25,000	-	253,060
Total Capital Outlay	239,669	-	-	724,644	-	964,313
Principal Retirement	-	-	2,317,634	-	-	2,317,634
Interest	-	-	2,236,846	-	-	2,236,846
Total Debt Service	-	-	4,554,480	-	-	4,554,480
Total Cash Disbursements	41,873,092	2,381,887	4,608,412	1,995,129	1,650	50,860,170
Excess of Cash Receipts Over(Under) Cash Disbursements	(557,003)	271,128	(966,629)	(125,011)	(742)	(1,378,257)
Other Financing Sources(Uses):						
Sale of Assets	8,693	-	-	-	-	8,693
Proceeds from Sale of Notes	6,570,000	-	-	-	-	6,570,000
Transfers-In	328,899	-	974,370	-	-	1,303,269
Advances-In	3,191	-	-	-	-	3,191
Refund of Prior Year Expenditures	345,765	213	-	-	-	345,978
Transfers-Out	(1,303,269)	-	-	-	-	(1,303,269)
Advances-Out	(10,000)	(3,191)	-	-	-	(13,191)
Refund of Prior Year Receipts	-	(1,726)	-	-	-	(1,726)
Total Other Financing Sources(Uses)	5,943,279	(4,704)	974,370	-	-	6,912,945
Excess of Cash Receipts and Other Financing Sources Over(Under) Cash Expenditures/Disbursements and Other Financing Uses	5,386,276	266,424	7,741	(125,011)	(742)	5,534,688
Fund Cash Balance, July 1, 2000	2,486,650	762,083	522,800	2,981,670	23,767	6,776,970
Fund Cash Balance, June 30, 2001 (A)	<u>\$ 7,872,926</u>	<u>\$ 1,028,507</u>	<u>\$ 530,541</u>	<u>\$ 2,856,659</u>	<u>\$ 23,025</u>	<u>\$12,311,658</u>
Reserve for Encumbrances	<u>\$ 451,781</u>	<u>\$ 189,461</u>	<u>\$ -</u>	<u>\$ 678,507</u>	<u>\$ -</u>	<u>\$ 1,319,749</u>

(A) - At June 30, 2001 the fund cash balance for the general fund contained \$ 429,101 in restricted cash associated with the budget stabilization account. See Note 17.

BEAVERCREEK CITY SCHOOL DISTRICT
Greene County, Ohio

Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balances
All Proprietary Fund Types and Similar Fiduciary Fund Type
For the Year Ended June 30, 2001

	PROPRIETARY FUND TYPES		FIDUCIARY	Total (Memorandum Only)
	Enterprise	Internal Service	FUND	
			Agency Funds	
Operating Cash Receipts				
Food Services	\$ 1,312,767	\$ -	\$ -	\$ 1,312,767
Extracurricular Activities	-	-	329,636	329,636
Classroom Materials and Fees	259,603	-	-	259,603
Employee Insurance Fees	-	-	-	-
Miscellaneous	-	7	75,103	75,110
Total Operating Cash Receipts	1,572,370	7	404,739	1,977,116
Operating Cash Disbursements				
Personal Services	551,495	-	-	551,495
Benefits	189,205	-	-	189,205
Purchased Services	5,667	-	40,513	46,180
Supplies and Materials	809,602	-	27,444	837,046
Miscellaneous	6,258	-	319,983	326,241
Total Operating Cash Disbursements	1,562,227	-	387,940	1,950,167
Operating Income	10,143	7	16,799	26,949
Non-Operating Cash Receipts				
Earnings on Investments	4,963	-	-	4,963
State Grants	7,428	-	-	7,428
Federal Grants	129,947	-	-	129,947
Refund of Prior Year Expenditures	-	3,074	150	3,224
Advances-In	10,000	-	-	10,000
Total Other Financing Sources	152,338	3,074	150	155,562
Net Excess of Cash Receipts Over Cash Disbursements	162,481	3,081	16,949	182,511
Fund Cash Balance, July 1, 2000	79,329	17,898	207,636	304,863
Fund Cash Balance, June 30, 2001	\$ 241,810	\$ 20,979	\$ 224,585	\$ 487,374
Reserve for Encumbrances	\$ 39,898	\$ -	\$ 4,754	\$ 44,652

See accompanying notes to the financial statements.

BEAVERCREEK CITY SCHOOL DISTRICT

Greene County, Ohio

Combined Statement of Receipts - Budget and Actual
For the Year Ended June 30, 2001

<u>Fund Types/Funds:</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental Funds:			
General Fund	\$ 48,572,637	\$ 48,572,637	\$ -
Special Revenue Funds	2,831,858	2,653,228	(178,630)
Debt Service Fund	4,616,153	4,616,153	-
Capital Project Funds	1,870,118	1,870,118	-
Proprietary Funds:			
Enterprise Funds	1,724,708	1,724,708	-
Internal Service Fund	7	3,081	3,074
Fiduciary Funds:			
Trust and Agency	<u>405,797</u>	<u>405,797</u>	<u>-</u>
Total (Memorandum Only)	<u>\$ 60,021,278</u>	<u>\$ 59,845,722</u>	<u>\$ (175,556)</u>

See accompanying notes to the financial statements.

BEAVERCREEK CITY SCHOOL DISTRICT
Greene County, Ohio

Combined Statement of Disbursements and
Encumbrances Compared with Expenditure Authority
For the Year Ended June 30, 2001

Fund Types/Funds:	Prior Year Carryover Appropriations	Current Year		Total Appropriations	Actual 2001 Disbursements	Encumbrances Outstanding at June 30, 2001	Total	Variance Favorable (Unfavorable)
		Appropriations	Appropriations					
Governmental Funds:								
General Fund	\$ 550,704	\$ 44,584,543	\$ 45,135,247	\$ 43,186,361	\$ 43,638,142	\$ 1,497,105		
Special Revenue Funds	167,025	2,987,999	3,155,024	2,386,804	2,576,265	578,759		
Debt Service Fund	-	4,608,412	4,608,412	4,608,412	4,608,412	-		
Capital Project Funds	1,659,749	1,084,948	2,744,697	1,995,129	678,507	71,061		
Proprietary Funds:								
Enterprise Funds	24,705	1,595,868	1,620,573	1,562,227	39,898	18,448		
Internal Service Fund	-	-	-	-	-	-		
Fiduciary Funds:								
Trust and Agency	14,746	379,679	394,425	389,590	4,754	394,344	81	
Total (Memorandum Only)	\$ 2,416,929	\$ 55,241,449	\$ 57,658,378	\$ 54,128,523	\$ 1,364,401	\$ 2,165,454		

See accompanying notes to the financial statements.

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Description of the Entity

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

The District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the District's ten instructional/support facilities staffed by approximately 455 certificated and 220 non-certified full time personnel who provide services to 6,544 students and other community members.

B. Reporting Entity

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

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

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

The District is associated with the Southwestern Ohio Education Purchasing Cooperative and the Greene County Career Center, which are defined as jointly governed organizations. These organizations are discussed in Note 12 to the financial statements.

BEAVERCREEK CITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2001

C. Basis of Accounting

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

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

D. Fund Accounting

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

The District classifies its funds into the following types:

Governmental Fund Types

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

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2001

Capital Projects Funds

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

Proprietary Fund Types

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

Enterprise Funds

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

Internal Service Fund

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

Fiduciary Fund Types

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

E. Budgetary Process

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

Tax Budget

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

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2001

Estimated Resources

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported on the Combined Statement of Receipts -Budget and Actual reflect the amounts in the final amended certificate issued during fiscal year 2001.

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

Appropriations

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

As discussed in Note 16, the District had expenditures plus encumbrances that exceeded adopted appropriation levels in several funds during the year. In addition, although the Board of Education adopted the final supplemental appropriation resolution prior to year-end, the District did not file this supplemental appropriation resolution prior to year-end as required by State Law.

Encumbrances

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

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2001

Lapsing of Appropriations

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

F. Cash and Cash Equivalents

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

G. Intergovernmental Receipts

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

Entitlements

General Fund

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

Debt Service Fund

State Property Tax Relief

Capital Project Funds

State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Title VIB
Title II
Drug Free Schools and Communities
Title I
Title VI
Early Childhood
Title VIR
Goals 2000 Grant
Reading Excellence Grant
Professional Development
Educational Management Information System
Data Communications
School Net Professional Development
Video Distance Learning
Ohio Reads

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2001

Reimbursable Grants

General Fund

Driver Education

Proprietary Funds

National School Lunch Program

National School Breakfast Program

Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 35 percent of governmental fund revenue during the 2001 fiscal year.

H. Interfund Transactions

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

I. Property, Plant and Equipment

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

J. Unpaid Vacation and Sick Leave

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

K. Total Columns on Financial Statements

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

2. EQUITY IN POOLED CASH AND INVESTMENTS:

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

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

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

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

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

Interim monies may be invested in the following obligations:

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

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

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

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Notes to the Financial Statements

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During fiscal year 2001, the District's investments were limited to Money Markets and repurchase agreements. During the fiscal year, all investments of the District had a maturity of two years or less.

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

Deposits

At fiscal year end, the carrying amount of the District's deposits was \$11,556,608 and the bank balance was \$14,075,581. \$300,000 of the bank balance was covered by federal depository insurance, and \$13,775,581 was collateralized by the financial institution's public entity deposit pool. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments

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

	Category <u>3</u>	Carrying <u>Value</u>	Market <u>Value</u>
Repurchase Agreements	<u>\$ 1,242,424</u>	<u>\$ 1,242,424</u>	<u>\$ 1,242,424</u>

3. PROPERTY TAXES:

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

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

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Financial Statements

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The assessed values upon which the fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$722,562,620	68.0%	\$764,969,270	67.8%
Commercial/Industrial	216,521,240	20.4%	236,546,500	20.9%
Public Utility Personal	49,285,030	4.6%	47,890,150	4.2%
Tangible Personal Property	<u>74,719,721</u>	<u>7.0%</u>	<u>80,000,544</u>	<u>7.1%</u>
Total Assessed Value	<u>\$1,063,088,611</u>	<u>100.0%</u>	<u>\$1,129,406,464</u>	<u>100.0%</u>
 Tax Rate per \$1,000 of Assessed Valuation	 \$42.60		 \$45.57	

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

The District receives property taxes from Greene County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001 are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

4. RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2001 the District contracted with Nationwide Insurance Company for general liability insurance. There is a \$1,000 deductible with a one hundred percent blanket, all risk policy. Nationwide Insurance Company covers the boiler and machinery with a \$1,000 deductible and a \$39,092,500 limit.

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

BEAVERCREEK CITY SCHOOL DISTRICT
Notes to the Financial Statements
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5. WORKERS' COMPENSATION:

For fiscal year 2001 the District participated in the Southwestern Ohio Educational Purchasing Cooperative's (OEPC) insurance purchasing pool for workers' compensation. The intent of the pool is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the pool. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium to the State based on the rate for the pool rather than its individual rate. Total savings are calculated and each participant's individual performance is compared to the overall savings percentage of the pool. A participant will then either receive money from or be required to contribute to the pool.

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

6. 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 defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to SERS, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$1,252,746, \$1,014,072, and \$949,166, respectively.

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. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3307 of the Ohio Revised Code. The State Teachers Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3371.

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Financial Statements

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Plan members are required to contribute 9.3 percent of their annual covered salary and the District was required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$3,408,095, \$3,133,860, and \$2,968,920, respectively.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

7. POST EMPLOYMENT BENEFITS:

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefits recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$1,095,459 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000 (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.80 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. 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 2001, the minimum pay was established at \$12,400. For the District, the amount contributed to fund health care benefits, including surcharge, during the 2001 fiscal year equaled \$756,122.

BEAVERCREEK CITY SCHOOL DISTRICT
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The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

8. OTHER EMPLOYEE BENEFITS:

A. Compensated Absences

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

B. Insurance Benefits

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

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

9. CAPITAL LEASES:

In prior years, the District has entered into lease agreements for the construction of an administrative office building and various equipment including computers, copiers and a telephone system. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. Capital lease payments are recorded in the general fund and the permanent improvement capital project fund.

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Financial Statements

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The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2001.

Fiscal Year <u>Ending June 30,</u>	<u>Amount</u>
2002	\$ 1,008,009
2003	1,007,164
2004	288,905
2005	243,635
2006	244,960
2007-2011	1,234,525
2012-2016	1,227,775
2017-2021	1,222,425
thereafter	<u>1,223,850</u>
Total Minimum Lease Payments	\$ 7,701,248
Less: Amount Representing Interest	<u>3,041,450</u>
Present Value of Minimum Lease Payments	<u>\$ 4,659,798</u>

10. LONG TERM OBLIGATIONS:

Changes in long-term obligations of the District during fiscal year 2001, were as follows:

	Principal Outstanding <u>6/30/00</u>	<u>Additions</u>	<u>Deletions</u>	Principal Outstanding <u>6/30/01</u>
School Improvement Bonds 1996 – 3.6% to 5.77%	\$ 37,820,000	\$ -	\$ 1,600,000	\$ 36,220,000
Energy Conservation Bonds 1998 – 4.00% to 4.95%	730,000	-	90,000	640,000
EPA Loan 1993 – 0.00%	591,709	-	73,231	518,478
Energy Management Loan 1995 – 5.48%	<u>1,422,505</u>	<u>-</u>	<u>254,403</u>	<u>1,168,102</u>
Total Long-Term	<u>\$ 40,564,214</u>	<u>\$ -</u>	<u>\$ 2,017,634</u>	<u>\$ 38,546,580</u>

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

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

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

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

BEAVERCREEK CITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2001

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

Principal and interest requirements to retire long-term debt obligations of the District at June 30, 2001 are as follows:

Fiscal Year <u>Ending June 30,</u>	School Improvement <u>Bonds</u>	Energy Conservation <u>Bonds</u>	<u>EPA Loans</u>	Energy Conservation <u>Loan</u>	<u>Total</u>
2002	\$ 3,802,826	\$ 125,388	\$ 73,231	\$ 327,185	\$ 4,328,630
2003	2,364,573	126,302	69,424	327,188	2,887,487
2004	2,522,678	126,602	64,779	327,188	3,041,247
2005	2,593,582	121,615	64,779	327,187	3,107,163
2006	2,668,634	126,575	64,779	-	2,859,988
2007-2011	15,288,489	125,940	181,488	-	15,595,917
2012-2016	15,395,710	-	-	-	15,395,710
2017-2021	18,888,796	-	-	-	18,888,796
Total	<u>\$ 63,525,288</u>	<u>\$ 752,422</u>	<u>\$ 518,480</u>	<u>\$ 1,308,748</u>	<u>\$ 66,104,938</u>

11. SHORT-TERM OBLIGATION:

Notes payable activity for the District for the year ended June 30, 2001 was as follows:

	<u>Principal Outstanding June 30, 1999</u>	<u>Additions</u>	<u>Deletions</u>	<u>Principal Outstanding June 30, 2001</u>
Tax Anticipation Note 1997 – 5.02%	\$ 700,000	\$ -	\$ 300,000	\$ 400,000
Tax Anticipation Note 2001 – 3.45%	-	6,570,000	-	6,570,000

Tax anticipation notes are being repaid with general fund tax revenues being credited to the debt service fund. The proceeds from the sale of the 2001 tax anticipation notes were posted to the general fund.

12. JOINTLY GOVERNED ORGANIZATIONS:

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

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

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2001

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2001, the District paid \$400 for testing and training services, \$3,005 in membership fees, as well as \$1,473 for administration of the self-help natural gas program, to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Cooperative, Robert Brown, who serves as Director, 1831 Harshman Road, Dayton, Ohio 45424.

Greene County Career Center - The Greene County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district's elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to The Greene County Career Center at 2960 West Enon Road, Xenia, Ohio 45385.

13. INSURANCE PURCHASING POOL

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

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

14. STATE SCHOOL FUNDING DECISION:

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order. In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 9, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made

BEAVERCREEK CITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2001

retroactive to July 1, 2001. On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

15. CONTINGENCIES:

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2001.

B. Litigation

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

16. ACCOUNTABILITY:

The District is required to disclose all instances of violations of finance related legal provisions. During fiscal year 2001 the District was found to be in violation of the following provisions.

Ohio Administrative Code Section 117-2-03(B) requires, as of the fiscal year that June 30, 1996, all school districts to prepare their annual financial report (but not necessarily account) in accordance with generally accepted accounting principles (unless a waiver has been granted by the Auditor of State). The District did not prepare its annual financial report in accordance with generally accepted accounting principles, nor did it receive a waiver from the Auditor of State granting permission to prepare its annual financial report on a cash basis.

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. During fiscal year 2001, the District had actual expenditures plus encumbrances that exceeded appropriations in the following funds: Local Grants, Ohio Reads and Title VIR special revenue funds; the SchoolNet Plus capital projects fund; Food Service, Uniformed School Supplies and Summer School enterprise fund; Student Managed Activities agency fund. In addition, although the District did adopt the supplemental appropriation resolution before year-end, it was not submitted to the County Auditor prior to the year-end as required by State statute.

BEAVERCREEK CITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2001

17. SET-ASIDE CALCULATIONS AND FUND RESERVES:

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2001	\$ -	\$ -	\$ 758,513
Current year set-aside amount	1,004,828	1,004,828	-
Reduction in requirement on revised legislation	-	-	(329,412)
Current year offsets	(616,413)	-	-
Qualifying Disbursements	<u>(803,337)</u>	<u>(1,327,836)</u>	<u>-</u>
Total	\$ <u>(414,922)</u>	\$ <u>(323,008)</u>	\$ <u>429,101</u>
Set-aside balance carried forward to fiscal year 2001	\$ <u>(414,922)</u>	\$ _____	\$ <u>429,101</u>
Set-aside reserve balances as of June 30, 2001	\$ -	\$ -	\$ <u>429,101</u>

The School District had qualifying disbursements and offsets during year that reduced the textbook and capital acquisition set-aside amounts below zero. This extra amount may be used to reduce the set-aside requirements in future fiscal years. Although the School District had qualifying disbursements during the fiscal year that reduced set-aside amount to below zero for capital acquisition set-aside, the extra amount may not be used to reduce the set-aside requirement of future. The total reserve balance for the set-asides at the end of the fiscal year was \$429,101.

BEAVERCREEK CITY SCHOOL DISTRICT
Greene County, Ohio

Schedule of Federal Award Expenditures
For the Year Ended June 30, 2001

Federal Grantor/ Pass Through Grantor Program Title	CFDA #	Pass Through Entity Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education</i>						
Nutritional Cluster:						
Food Distribution Program	10.550	NN-N1	-	90,648	-	90,883
National School Breakfast Program	10.553	05-PU	944	-	944	-
National School Lunch Program	10.555	LL-P1 LL-P4	50,439 <u>78,564</u>	- <u>-</u>	50,439 <u>78,564</u>	- <u>-</u>
Total U.S. Department of Agriculture - Nutrition Cluster			<u>129,947</u>	<u>90,648</u>	<u>129,947</u>	<u>90,883</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Direct Program</i>						
Impact Aid Grant	84.041	N/A	202,901	-	202,901	-
<i>Passed Through Ohio Department of Education</i>						
Special Education Cluster						
Title VI-B Grant	84.027	6B-PM 6B-SF	24,906 364,468	- -	23,725 315,046	- -
Preschool Disabilities Grant	84.173	PG-S1	<u>29,614</u>	<u>-</u>	<u>30,373</u>	<u>-</u>
Total Special Education Cluster			418,988	-	369,144	-
Eisenhower Grant	84.281	MS-S1	17,411	-	21,660	-
Title I Grant	84.010	C1-S1	205,896	-	229,630	-
Title VI - Innovative Education Grant	84.298	C2-S1	41,207	-	42,837	-
Drug Free Schools and Communities	84.186	DR-S1	45,045	-	23,328	-
Goals 2000 Grant	84.276	G2-S3	20,000	-	17,007	-
Reading Excellence Grant	84.338	RN-S1	287,102	-	210,778	-
Title VI-R - Class Size Reduction Grant	84.340	CRS100	<u>79,509</u>	<u>-</u>	<u>75,256</u>	<u>-</u>
Total U.S. Department of Education			<u>1,318,059</u>	<u>-</u>	<u>1,192,541</u>	<u>-</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>1,448,006</u>	<u>90,648</u>	<u>1,322,488</u>	<u>90,883</u>

See notes to the schedule of expenditures of federal awards.

BEAVERCREEK CITY SCHOOL DISTRICT

Notes to the Schedule of Federal Award Expenditures For the Year Ended June 30, 2001

1. Significant Accounting Policies:

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

2. Nutrition Cluster:

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001 the District had no significant food commodities in inventory.

3. Other General Fund Grants:

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

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

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

Board of Education
Beavercreek City School District
3040 Kemp Road
Beavercreek, Ohio 45431

We have audited the financial statements of the Beavercreek City School District (the District), as of and for the year ended June 30, 2001 and have issued our report thereon dated September 6, 2001, wherein we noted that the District prepared its financial statements on the basis of accounting formerly prescribed by the Auditor of State which is a comprehensive basis of accounting other than accounting principals generally accepted in the United States. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2001-53750-001 through 002. We also noted certain immaterial instances on noncompliance that we have reported to management of the District in a separate letter dated September 6, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2001-53750-003 through 006.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions noted above, we consider item 2001-53750-003 to be a material weaknesses. We also noted other matters involving the internal control over financial reporting, that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated September 6, 2001.

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

Clark, Schaefer, Hackett & Co.
Springfield, Ohio
September 6, 2001

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

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

Board of Education
Beavercreek City School District
3040 Kemp Road
Beavercreek, Ohio 45431

Compliance

We have audited the compliance of the Beavercreek City School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

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

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
September 6, 2001

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

BEAVERCREEK CITY SCHOOL DISTRICT
JUNE 30, 2000

I. SUMMARY OF AUDITORS' RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	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): <i>Special Education Cluster:</i> Title VI-B Grant CFDA #84.027 Preschool Disabilities Grant CFDA #84.173 <i>Nutritional Cluster:</i> Food Distribution Program CFDA #10.550 National School Breakfast Program CFDA #10.553 National School Lunch Program CFDA #10.555 Reading Excellence Grant CFDA #84.338	
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	No

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

Finding Number	2001-53750-001
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Ohio Administrative Code Section 117-2-03(B) requires, as of the fiscal year ended June 30, 1996, all school districts to prepare their annual financial reports (but not necessarily account) in accordance with generally accepted accounting principals, unless a wavier has been received from the Auditor of State. The District prepared its fiscal year 2001 annual financial report on a cash basis, a basis of accounting other than generally accepted accounting principals. The District did not receive the necessary waiver from the Auditor of State to prepare its financial report on the cash basis.

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

Finding Number	2001-53750-002
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Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

During fiscal year 2001, the District had actual expenditures plus encumbrances, which exceeded appropriations in the following funds: the Local Grants, Ohio Reads and Title VI-R special revenue funds; the SchoolNet Plus capital project fund; the Food Service, Uniformed School Supplies and Summer School enterprise funds; and the Student Managed Activities agency fund. In addition, the amended resolution passed by the Board of Education on June 28, 2001 was not submitted to the County Auditor's Office by year-end as required by law.

The District should implement adequate budgetary and monitoring controls in its purchasing cycle to ensure appropriations are available prior to obligations and expenditures being made. All amended appropriation measures should be legally enacted before expenditures and encumbrances exceed the appropriation level, not after-the-fact. Furthermore, due care should be given to ensure all budgetary documents are submitted to the County in accordance with State Law.

Finding Number	2001-53750-003
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During fiscal year 2000, the District entered into a lease-purchase agreement to have a new administrative building constructed. Although the construction costs associated with the building are not obligations of the District, entries were made in the accounting system to record the proceeds of debt issued to finance the construction, as well as all the construction expenditures of the project. The District recorded the activity to keep track of project costs, as it was responsible for any cost overruns incurred by the terms of the lease-purchase contract. While keeping track of the cost associated with the project represented appropriate financial management, recording the transactions resulted in material misstatement of cash receipts and disbursements reported for the Capital Projects Fund-Type, which required adjustment during the audit. The manner in which the District recorded the financial activity associated with the project will show twice the amount of project expenditures over the life of the agreement. Once during the construction period and then again over the next twenty years as the lease payments are being made.

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

Finding Number	2001-53750-004
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Several deficiencies with the District's purchasing system were present during the audit period. The District utilizes an on-line purchase order requisition approval system to initiate a purchase order, however, the system does not provide adequate controls to ensure the appropriate supervisor had approved the requisition prior to the purchase order being generated. The District did not have adequate compensating controls in place to compensate for the lack of secured on-line approvals. Also, the system gave users the ability to change the amounts of the purchase orders, the accounts the purchase orders were charged against, and the vendor to which the purchase order was made out to, after the purchase order had been generated and charged by the system. These changes were made without management edit reports being automatically generated to inform management of such changes.

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

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

It should be noted the District did take some corrective action in address some of these issues during fiscal year 2001 and have implemented a new financial system to address additional concerns in fiscal year 2002. Management should remain continuously aware of the need to have appropriate internal controls and monitor those controls related to the purchasing system.

Finding Number	2001-53750-005
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The District does not have proper segregation of duties related to its payroll cycle and no review procedures were in place during the audit period to ensure financial information generated through the payroll system is accurate before payroll checks are run. As a result, inappropriate payroll expenditures and payroll errors could occur without timely detection by management. The Treasurer stated that reviews of payroll reports were completed, however, no documentation of these reviews were present.

The new financial system put into operation by the District during fiscal year 2002 is anticipated to address the concerns noted above with improvement management reports and required approvals in the payroll cycle, however the District should continue in the attempt to segregate the duties of the payroll cycle and improve management controls. Payroll and related expenditures account for over 80 percent of the District's expenditures.

Finding Number	2001-53750-006
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During fiscal year 2001 numerous individuals, both in the Treasurer's Office and in other administrative offices, at the District have complete access to the financial system and can perform all level of transactions and adjustments available through the system. Such wide access to processing transactions increases the risk that inappropriate entries could be made or appropriate transactions are processed improperly.

The District anticipates the financial system placed into operation during fiscal year 2002 will address these concerns, however, the District should continually review authorized level of access to the financial system to ensure individuals are given on the level of access needed to accomplish task assigned to them. The Board should consider reviewing the access given to individuals at least on an annual basis.

3. FINDINGS RELATED TO THE DISTRICT'S FEDERAL AWARDS

None

4. SCHEDULE OF PRIOR AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Status</u>	<u>Explanation</u>
2000-53750-001	District did not prepare financial statements on GAAP basis as required by State law	Repeated	District did not feel preparing GAAP financial statements for fiscal year 2001 was cost beneficial
2000-53750-002	District did not adopt its permanent appropriation measure within the timeframe established by State law	Corrected	Fiscal year 2001 appropriation measure properly adopted
2000-53750-003	District had budgetary expenditures which exceeded appropriations	Repeated	Several funds had budgetary expenditures which exceeded appropriations in fiscal year 2001
2000-53750-004	District reported financial activity associated with construction of building project financed with lease-purchase.	Repeated	District tracked financial activity of building cost in financial records for monitoring purposes
2000-53750-005	District used adjusting journal entries to record and adjust financial transactions without proper approvals	Corrected	District did not use journal entries to the extent it did in FY 2000
2000-53750-006	District used monies designated for School Improvement Bond issue to pay general fund obligations	Corrected	District corrected prior period errors and paid general fund obligations with general fund revenues during FY 2001
2000-53750-007	District did not properly account for activity associated with a lease purchase agreement for computer equipment	Corrected	District worked with its legal counsel and the lender to ensure all requirements of agreement were met.
2000-53750-008	District had appropriations which exceeded estimated resources	Corrected	District's appropriations were within estimated resources during FY 2001
2000-53750-009	District did not properly certify certain expenditures as required by Section 5705.412 of ORC	Corrected	District issued certificates for required expenditures during FY 2001
2000-53750-010	Purchasing system had several internal control deficiencies	Repeated	Deficiencies remained during FY 2001, however, District has indicated these issues have been corrected for FY 2002

4. SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Status</u>	<u>Explanation</u>
2000-53750-011	District did not adequate segregation of duties or review procedures in place related to its payroll cycle	Repeated	Deficiencies remained during FY 2001, however, District has indicated these issues have been corrected for FY 2002
2000-53750-012	Numerous individuals inside and outside the Treasurer's office had ability to perform all level of transactions and adjustments within the financial system	Repeated	Deficiencies remained during FY 2001, however, District has indicated these issues have been corrected for FY 2002
2000-53750-013	District could not support numbers contained on reports submitted to State Department of Education for the FY 00 Title VI-B program	Corrected	No deficiencies were noted on reports during FY 2001 audit.



STATE OF OHIO
OFFICE OF THE AUDITOR

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BEAVERCREEK CITY SCHOOL DISTRICT

GREENE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 22, 2002**