



**BLANCHESTER LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Blanchester Local School District
Clinton County
3580 St. Rt. 28
Blanchester, Ohio 45107

To the Board of Education:

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

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

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

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

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

Jim Petro
Auditor of State

March 15, 2000

Blanchester Local School District

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Blanchester Local School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Equity in Pooled Cash and Investments	\$1,820,266	\$167,888	\$254,756	\$269,527
Restricted Pooled Cash and Investments	89,867	0	0	0
Receivables:				
Taxes	2,918,085	0	225,303	121,055
Intergovernmental	155,082	0	0	0
Accounts	1,163	0	0	0
Accrued Interest	0	0	0	0
Interfund Receivable	22,877	0	0	0
Inventory	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds				
	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations				
	0	0	0	0
Total Assets & Other Debits	\$5,007,340	\$167,888	\$480,059	\$390,582
Liabilities, Fund Equity & Other Credits:				
Liabilities:				
Accounts Payable	\$122,665	\$30,755	\$0	\$20,199
Accrued Wages & Benefits	806,818	38,711	0	0
Compensated Absences Payable	11,791	0	0	0
Interfund Payable	0	1,113	0	1,764
Deferred Revenue	2,651,638	0	209,197	112,348
Due to Students	0	0	0	0
Due to Other Districts	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Claims Payable	0	0	0	0
Total Liabilities	3,592,912	70,579	209,197	134,311
Fund Equity & Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	248,813	13,922	0	95,371
Reserved for Property Tax Advances	266,447	0	16,106	8,707
Reserved for Set-Asides	89,867	0	0	0
Unreserved & Undesignated	809,301	83,387	254,756	152,193
Total Fund Equity (Deficit) & Other Credits	1,414,428	97,309	270,862	256,271
Total Liabilities, Fund Equity & Other Credits	\$5,007,340	\$167,888	\$480,059	\$390,582

See accompanying notes.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$72,565	\$161,991	\$321,883	\$0	\$0	\$3,068,876
0	0	0	0	0	89,867
0	0	0	0	0	3,264,443
16,266	0	0	0	0	171,348
0	0	0	0	0	1,163
5,637	0	0	0	0	5,637
0	0	0	0	0	22,877
9,630	0	0	0	0	9,630
30,496	0	0	6,578,922	0	6,609,418
0	0	0	0	254,756	254,756
0	0	0	0	847,982	847,982
<u>\$134,594</u>	<u>\$161,991</u>	<u>\$321,883</u>	<u>\$6,578,922</u>	<u>\$1,102,738</u>	<u>\$14,345,997</u>
\$17,803	\$0	\$3,774	\$0	\$0	\$195,196
38,348	0	0	0	44,020	927,897
3,789	0	0	0	361,191	376,771
20,000	0	0	0	0	22,877
5,568	0	0	0	0	2,978,751
0	0	23,609	0	0	23,609
0	303,143	0	0	0	303,143
0	0	0	0	697,527	697,527
0	124,461	0	0	0	124,461
<u>85,508</u>	<u>427,604</u>	<u>27,383</u>	<u>0</u>	<u>1,102,738</u>	<u>5,650,232</u>
0	0	0	6,578,922	0	6,578,922
49,086	(265,613)	0	0	0	(216,527)
0	0	0	0	0	358,106
0	0	0	0	0	291,260
0	0	0	0	0	89,867
0	0	294,500	0	0	1,594,137
<u>49,086</u>	<u>(265,613)</u>	<u>294,500</u>	<u>6,578,922</u>	<u>0</u>	<u>8,695,765</u>
<u>\$134,594</u>	<u>\$161,991</u>	<u>\$321,883</u>	<u>\$6,578,922</u>	<u>\$1,102,738</u>	<u>\$14,345,997</u>

Blanchester Local School District
 Combined Statement of Revenues, Expenditures
 And Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Funds
 For the Year Ended June 30, 1999

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Taxes	\$2,231,808	\$0	\$172,594	\$92,364	\$0	\$2,496,766
Intergovernmental	6,197,147	417,023	16,859	502,227	0	7,133,256
Investment	123,935	0	0	0	0	123,935
Tuition & Fees	17,922	0	0	0	0	17,922
Extracurricular Activities	0	79,553	0	0	0	79,553
Miscellaneous	53,033	82,342	0	0	500	135,875
Total Revenues	8,623,845	578,918	189,453	594,591	500	9,987,307
Expenditures:						
Current:						
Instruction:						
Regular	4,142,518	38,430	0	1,518	0	4,182,466
Special	599,342	190,802	0	0	53	790,197
Vocational	158,454	0	0	1,317	0	159,771
Other	70,099	0	0	0	0	70,099
Support Services:						
Pupils	290,712	24,586	0	0	0	315,298
Instructional Staff	240,799	95,887	0	117,195	0	453,881
Board of Education	22,056	0	0	0	0	22,056
Administration	821,544	75,314	0	0	0	896,858
Fiscal	241,413	0	4,260	2,263	0	247,936
Business	432	0	0	0	0	432
Operation & Maintenance of Plant	676,946	0	0	24,800	0	701,746
Pupil Transportation	377,847	9,965	0	0	0	387,812
Central	15,014	2,628	0	0	0	17,642
Operation of Non-Instructional Services	12,724	0	0	0	0	12,724
Extracurricular Activities	139,052	110,486	0	0	4	249,542
Capital Outlay	58,331	0	0	448,951	0	507,282
Debt Service:						
Principal Retirement	15,666	0	90,000	0	0	105,666
Interest & Fiscal Charges	2,263	0	52,673	0	0	54,936
Total Expenditures	7,885,212	548,098	146,933	596,044	57	9,176,344
Excess of Revenues Over (Under) Expenditures	738,633	30,820	42,520	(1,453)	443	810,963
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	600	0	0	0	0	600
Operating Transfers In	0	4,005	0	0	0	4,005
Operating Transfers Out	(4,005)	(197)	0	0	0	(4,202)
Total Other Financing Sources (Uses)	(3,405)	3,808	0	0	0	403
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	735,228	34,628	42,520	(1,453)	443	811,366
Fund Balance, Beginning of Year	679,200	62,681	228,342	257,724	3,471	1,231,418
Fund Balance, End of Year	\$1,414,428	\$97,309	\$270,862	\$256,271	\$3,914	\$2,042,784

See accompanying notes.

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Blanchester Local School District
 Combined Statement of Revenues, Expenditures
 And Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 All Governmental Fund Types
 For the Year Ended June 30, 1999

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$2,094,823	\$2,094,823	\$0	\$0	\$0	\$0
Intergovernmental	6,047,485	6,047,485	0	373,386	417,023	43,637
Investment	135,270	135,270	0	0	0	0
Tuition & Fees	17,922	17,922	0	0	0	0
Extracurricular Activities	0	0	0	79,553	79,553	0
Miscellaneous	45,183	45,303	120	82,521	82,477	(44)
Total Revenues	8,340,683	8,340,803	120	535,460	579,053	43,593
Expenditures:						
Current:						
Instruction:						
Regular	4,600,698	4,186,710	413,988	50,775	41,831	8,944
Special	646,207	587,783	58,424	238,558	180,137	58,421
Vocational	182,282	180,187	2,095	0	0	0
Other	79,385	68,915	10,470	0	0	0
Support Services:						
Pupils	353,756	301,895	51,861	31,302	21,319	9,983
Instructional Staff	349,491	242,397	107,094	128,719	109,187	19,532
Board of Education	34,187	24,203	9,984	0	0	0
Administration	937,455	890,023	47,432	110,108	75,645	34,463
Fiscal	258,034	238,952	19,082	0	0	0
Business	1,700	647	1,053	0	0	0
Operation & Maintenance of Plant	810,737	687,932	122,805	0	0	0
Pupil Transportation	533,277	486,965	46,312	8,945	9,965	(1,020)
Central	23,856	15,014	8,842	2,628	2,628	0
Operation of Non-Instructional Services	16,000	12,724	3,276	0	0	0
Extracurricular Activities	148,671	140,398	8,273	134,914	116,489	18,425
Capital Outlay	136,470	58,331	78,139	0	0	0
Debt Service:						
Principal Retirement	15,666	15,666	0	0	0	0
Interest & Fiscal Charges	3,000	2,263	737	0	0	0
Total Expenditures	9,130,872	8,141,005	989,867	705,949	557,201	148,748
Excess (Deficiency) of Revenues Over Under Expenditures	(790,189)	199,798	989,987	(170,489)	21,852	192,341
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	600	600	0	0	0	0
Refund of Prior Year Expenditures	8,851	8,851	0	135	135	0
Refund of Prior Year Receipts	0	0	0	0	(14,142)	(14,142)
Operating Transfers In	0	0	0	4,005	4,005	0
Operating Transfers Out	(5,205)	(5,205)	0	(197)	(197)	0
Advances In	61,638	61,638	0	0	0	0
Advances Out	(1,764)	(1,764)	0	(59,215)	(59,215)	0
Total Other Financing Sources (Uses)	64,120	64,120	0	(55,272)	(69,414)	(14,142)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	(726,069)	263,918	989,987	(225,761)	(47,562)	178,199
Fund Balance, Beginning of Year (Includes Prior Year Encumbrances Appropriated)	1,067,979	1,067,979	0	128,321	128,321	0
Fund Balance, End of Year	\$341,910	\$1,331,897	\$989,987	(\$97,440)	\$80,759	\$178,199

See accompanying notes.

Debt Service			Capital Projects			Totals (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$167,823	\$167,823	\$0	\$89,565	\$89,565	\$0	\$2,352,211	\$2,352,211	\$0
16,859	16,859	0	502,227	502,227	0	6,939,957	6,983,594	43,637
0	0	0	0	0	0	135,270	135,270	0
0	0	0	0	0	0	17,922	17,922	0
0	0	0	0	0	0	79,553	79,553	0
0	0	0	0	0	0	127,704	127,780	76
184,682	184,682	0	591,792	591,792	0	9,652,617	9,696,330	43,713
0	0	0	45,135	1,715	43,420	4,696,608	4,230,256	466,352
0	0	0	0	0	0	884,765	767,920	116,845
0	0	0	1,764	1,764	0	184,046	181,951	2,095
0	0	0	0	0	0	79,385	68,915	10,470
0	0	0	0	0	0	385,058	323,214	61,844
0	0	0	195,959	125,266	70,693	674,169	476,850	197,319
0	0	0	0	0	0	34,187	24,203	9,984
0	0	0	0	0	0	1,047,563	965,668	81,895
5,174	4,260	914	4,600	2,263	2,337	267,808	245,475	22,333
0	0	0	0	0	0	1,700	647	1,053
0	0	0	24,800	24,800	0	835,537	712,732	122,805
0	0	0	0	0	0	542,222	496,930	45,292
0	0	0	0	0	0	26,484	17,642	8,842
0	0	0	0	0	0	16,000	12,724	3,276
0	0	0	0	0	0	283,585	256,887	26,698
0	0	0	571,530	533,916	37,614	708,000	592,247	115,753
90,000	90,000	0	0	0	0	105,666	105,666	0
52,674	52,673	1	0	0	0	55,674	54,936	738
147,848	146,933	915	843,788	689,724	154,064	10,828,457	9,534,863	1,293,594
36,834	37,749	915	(251,996)	(97,932)	154,064	(1,175,840)	161,467	1,337,307
0	0	0	0	0	0	600	600	0
0	0	0	0	0	0	8,986	8,986	0
0	0	0	0	0	0	0	(14,142)	(14,142)
0	0	0	0	0	0	4,005	4,005	0
0	0	0	0	0	0	(5,402)	(5,402)	0
0	0	0	1,764	1,764	0	63,402	63,402	0
0	0	0	(1,874)	(1,874)	0	(62,853)	(62,853)	0
0	0	0	(110)	(110)	0	8,738	(5,404)	(14,142)
36,834	37,749	915	(252,106)	(98,042)	154,064	(1,167,102)	156,063	1,323,165
217,007	217,007	0	191,321	191,321	0	1,604,628	1,604,628	0
\$253,841	\$254,756	\$915	(\$60,785)	\$93,279	\$154,064	\$437,526	\$1,760,691	\$1,323,165

Blanchester Local School District
 Combined Statement of Revenues, Expenses
 And Changes in Retained Earnings/Fund Balance
 All Proprietary Fund Types and Nonexpendable Trust
 For the Year Ended June 30, 1999

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating Revenues:				
Investment Revenue	\$5,637	\$0	\$14,208	\$19,845
Charges for Services	49,211	774,652	0	823,863
Miscellaneous Revenue	325,919	0	25,300	351,219
Total Operating Revenues	<u>380,767</u>	<u>774,652</u>	<u>39,508</u>	<u>1,194,927</u>
Operating Expenses:				
Salaries	169,763	0	0	169,763
Fringe Benefits	71,270	0	0	71,270
Purchased Services	5,785	846,817	0	852,602
Materials & Supplies	250,660	0	0	250,660
Depreciation	1,565	0	0	1,565
Other Operating Expenses	1,225	175	12,128	13,528
Total Operating Expenses	<u>500,268</u>	<u>846,992</u>	<u>12,128</u>	<u>1,359,388</u>
Operating Income (Loss)	<u>(119,501)</u>	<u>(72,340)</u>	<u>27,380</u>	<u>(164,461)</u>
Non-Operating Revenues (Expenses):				
Investment Revenue	459	0	0	459
Miscellaneous Revenue	77	0	0	77
Donated Commodities	18,354	0	0	18,354
Operating Grants - State & Local	8,648	0	0	8,648
Operating Grants - Federal	115,835	0	0	115,835
Total Non-Operating Revenues	<u>143,373</u>	<u>0</u>	<u>0</u>	<u>143,373</u>
Income (Loss) before Operating Transfers	23,872	(72,340)	27,380	(21,088)
Operating Transfers In	197	0	0	197
Net Income	24,069	(72,340)	27,380	(20,891)
Retained Earnings/Fund Balance, Beginning of Year (restated)	<u>25,017</u>	<u>(193,273)</u>	<u>263,206</u>	<u>453,716</u>
Retained Earnings/Fund Balance, End of Year	<u>\$49,086</u>	<u>(\$265,613)</u>	<u>\$290,586</u>	<u>\$432,825</u>

See accompanying notes.

Blanchester Local School District
 Combined Statement of Cash Flows
 All Proprietary Fund Types and NonExpendable Trust
 For the Year Ended June 30, 1999

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum only)
	Enterprise	Internal Service	Nonexpendable Trust	
Cash Flows from Operating Activities:				
Cash Received from Investment Earnings	\$0	\$0	\$14,704	\$14,704
Cash Received from Charges for Services	49,211	0	0	49,211
Cash Received from Miscellaneous Sources	325,919	774,652	25,300	1,125,871
Cash Payments for Personal Services	(235,520)	0	0	(235,520)
Cash Payments for Contract Services	(5,578)	(790,269)	0	(795,847)
Cash Payments for Supplies & Materials	(242,048)	0	0	(242,048)
Cash Payments for Other Expenses	(1,225)	(175)	(12,128)	(13,528)
Net Cash Provided (Used) by Operating Activities	(109,241)	(15,792)	27,876	(97,157)
Cash Flows from Non-Capital Financing Activities:				
Cash Received from Other Funds	2,105	15,200	0	17,305
Cash Received from Operating Grants	108,217	0	0	108,217
Cash Received from Investment Earnings	459	0	0	459
Cash Paid to Other Funds	(2,458)	(15,200)	0	(17,658)
Other	77	0	0	77
Net Cash Provided (Used) by Non-Capital Financing Activities	108,400	0	0	108,400
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	14,320	0	0	14,320
Net Cash Used for Capital and Related Financing Activities	14,320	0	0	14,320
Net Increase (Decrease) in Cash and Cash Equivalents	13,479	(15,792)	27,876	25,563
Cash and Cash Equivalents at Beginning of Year	59,086	177,783	262,710	499,579
Cash and Cash Equivalents at End of Year	\$72,565	\$161,991	\$290,586	\$525,142
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	(\$119,501)	(\$72,340)	\$27,380	(164,461)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	1,565	0	0	1,565
Donated Commodities Used	18,354	0	0	18,354
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivables	(5,266)	0	0	(5,266)
(Increase) Decrease in Accrued Interest	0	0	496	496
(Increase) Decrease in Materials & Supplies Inventory	(1,926)	0	0	(1,926)
Increase (Decrease) in Accounts Payable	(5,197)	0	0	(5,197)
Increase (Decrease) in Accrued Wages & Benefits	807	0	0	807
Increase (Decrease) in Compensated Absences Payable	1,689	0	0	1,689
Increase (Decrease) in Due to Other Districts	0	50,485	0	50,485
Increase (Decrease) in Claims Payable	0	6,063	0	6,063
Increase (Decrease) in Deferred Revenue	234	0	0	234
Net Cash Provided (Used) by Operating Activities	(109,241)	(15,792)	27,876	(97,157)

See accompanying notes.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999

1. DESCRIPTION OF THE DISTRICT

The Blanchester Local School District was originally organized in 1854 and known as Blanchester Village School. On July 1, 1959 Blanchester Village School, Jefferson Township School and Edenton Local School District became Blanchester Local School District. In 1853 State Laws were enacted to create local boards of education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The School District operates under a locally elected, five-member board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This board controls the District's four instructional and support facilities staffed by 68 classified, 117 certified and six administrative employees to provide service to 1,852 students and other community members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

A. For financial reporting purposes, the District's financial statements include all funds, account groups of the primary government (i.e. the District). The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. Component units were considered for inclusion in the reporting entity. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e. the District) are financially accountable. The District would consider an organization to be a component unit if:

1. The District appointed a voting majority of the organization's governing body; and (a) was able to impose its will on that organization; or (b) there was a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District; or
2. The organization was fiscally dependent upon the District; or
3. The nature of the relationship between the District and the organization was such that the exclusion from the financial reporting entity would render the financial statements misleading.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

(Continued)

The District included no component units in the accompanying financial statements.

The School District is associated with two organizations, which are defined as jointly governed organizations, and a third organization defined as a related organization. These organizations include the Miami Valley Educational Computer Association, Hopewell Special Education Regional Resource Center, and the Local Public Library.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the District are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

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

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

Special Revenue 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 expenditures for specified purposes.

Debt Service Funds - Is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs; and for the payment of interest on general obligation notes payable, as required by Ohio Law.

Capital Projects Funds - Is 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 - Proprietary Funds are used to account for the District's ongoing activities, which are similar to those most often, found in the private sector. The following are the District's Proprietary Funds:

Enterprise Funds - Are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

(Continued)

governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or, (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - Are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost reimbursement basis.

Fiduciary Funds - Fiduciary Funds are used for the assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Expendable Trust, Nonexpendable Trust and Agency Funds. Expendable Trust Funds are accounted for essentially the same as Governmental Funds. Nonexpendable Trust funds are accounted for essentially the same as Proprietary Funds. Agency Funds are custodial in nature (assets equal liabilities).

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

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

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

C. Measurement Focus/Basis of Accounting

Measurement Focus: Governmental Funds types and Expendable Trust Funds are accounted for on a spending, or "current financial resources", measurement focus. Governmental Fund types and Expendable Trust Funds operating statements represent increases and decreases in net current assets. Their reported fund balances are considered a measure of available spendable resources.

Proprietary Funds types and Nonexpendable Trust Funds are accounted for on a cost of services, or "economic resources", measurement focus. Proprietary Fund type income statements represent increases and decreases in net total assets.

Basis of Accounting - The modified accrual basis of accounting is followed for Governmental, Expendable Trust and Agency Funds. Under this basis of accounting, revenues are recognized when they become both measurable and available to finance

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

(Continued)

expenditures for the current period, which for the District is 60 days after fiscal year end. Revenue considered susceptible to accrual includes but is not limited to, property taxes available for advance, interest, tuition and state and federal grants. Property taxes measurable but neither available to finance the current fiscal year expenditures, nor intended to finance the current year expenditures are deferred revenue. Expenditures are recognized in the period in which the related fund liability is incurred, except interest on long-term debt which is recorded when due.

Proprietary Funds are accounted for on the accrual basis of accounting. Revenue is recognized in the period earned and expenses are recognized in the period incurred.

D. Budgetary Data

Budgetary Basis of Accounting - The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major difference between the budget basis and the GAAP basis are:

- (1.) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- (2.) Expenditures are recorded when encumbered, or paid in cash (budget), as opposed to when susceptible to accrual (GAAP).

The actual results of operations, compared to the final appropriation, for each fund type by expenditure function and revenue by source are presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual (non-GAAP Budgetary Basis). The reserve for encumbrances is carried forward as part of the budgetary authority for the next year and is included in the revised budget amounts shown in the budget to actual comparisons. The District is required by state statute to adopt an annual appropriated budget for all Governmental Fund types. The specific timetable is as follows:

1. Prior to January 15 of the preceding fiscal year, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing or increased tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Clinton County Budget Commission for tax rate determination.
3. Prior to March 15, the Board of Education accepts by formal resolution the tax rates as determined by the Clinton County Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

(Continued)

of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function and object level of expenditures, which are legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year). Resolution appropriations by fund must be within the estimated resources as certified by the Clinton County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

5. Any revisions that alter the total of any fund appropriation the total function appropriations within a fund, or object appropriations within functions must be approved by the Board of Education.

6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All departments, functions and funds completed the year within the amount of their legally authorized appropriation.

7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriation amounts. All supplemental appropriations were legally enacted by the Board.

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

E. Encumbrances

Encumbrance accounting is utilized by District funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund types, encumbrances outstanding at fiscal year end appear on the combined balance sheet as a reserve of the fund balance on a GAAP Basis and for all funds as the equivalent of expenditures/expenses on a non-GAAP budgetary basis in order to demonstrate legal compliance.

F. Cash and Investments

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

(Continued)

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

During fiscal year 1999, investments were limited to money market investments and treasury notes.

Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Investment revenue credited to the general fund during fiscal year 1999 amounted to \$123,935.

Restricted Cash

Restricted Cash in the general fund represents cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State Statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established.

G. Inventory (Materials and Supplies)

Inventories of the Enterprise Funds are valued at lower of cost (first-in, first-out method) or market and are determined by physical count.

H. Fixed Assets and Depreciation

1. General Fixed Assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District does not possess any infrastructure.
2. Proprietary Funds - Property, plant and equipment reflected in the Proprietary Funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Depreciation has been provided, where appropriate, on a straight-line basis over the following Estimated useful lives:

Building Improvements	20 - 40 years
Equipment	3 - 15 years

I. Intergovernmental Revenues

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

(Continued)

In Governmental Funds, entitlements and non-reimbursable grants are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations are recognized as revenue when measurable and earned.

J. Compensated Absences

GASB Statement No. 16 specifies that compensated absences should be accrued as they are earned by employees if both of the following conditions are met:

1. The employee's right to receive compensation is attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payment.

The District's policies regarding compensated absences are determined by state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>Vacation</u>	<u>Certified Personnel</u>	<u>Administrators</u>	<u>Non-Certified Personnel</u>
How Earned	Not Eligible	Per Contract	10 - 20 Days Per Year, Depending on Length of Service
Maximum Accumulation	N/A	N/A	N/A
Vested	N/A	As Earned	As Earned
Termination Entitlements -	N/A	N/A	N/A

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

(Continued)

<u>Sick Leave</u>	<u>Certified Personnel</u>	<u>Administrators</u>	<u>Non-Certified Personnel</u>
How Earned	1-1/4 Days Per Month of Employment (15 Days Per Yr.)	1-1/4 Days Per Month of Em- ployment (15 Days Per Yr.)	1-1/4 Days Per Month of Employ- ment (15 Days Per Yr.)
Maximum Accumulation	210 Days	Per Contract	210 Days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

For Governmental Funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the respective Governmental Fund. Amounts that are not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Obligations Account Group. Compensated absences of Proprietary Funds are recorded as an expense and liability of the respective Proprietary Fund.

K. Interfund Transactions

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

1. Routine transfers of resources from one fund to another fund through which resources to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and as a reduction in expenditures/expenses in the reimbursed fund.
3. 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.

L. Long-Term Obligations

Long-term debt is recognized as a liability of a Governmental Fund when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

(Continued)

from expendable available resources is reported as a fund liability of a Governmental Fund. The remaining portion of such obligations is reported in the General Long-Term Obligation Account Group.

Long-term liabilities expected to be financed from Proprietary Fund operations are accounted for in those funds.

M. Fund Equity

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund equity reserves are established for encumbrances, property taxes and budgetary set-asides required under Ohio Law.

N. Memorandum Only - Total Columns

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

O. Proprietary Fund Accounting

In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", the District applies all GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

P. Estimates

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

(Continued)

3. EQUITY IN POOLED CASH AND INVESTMENT

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments". State Statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies that are required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive Monies - Those monies not required for use within the current two-year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Interim Monies - 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. Ohio law permits interim monies to be invested or deposited in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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;

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

(Continued)

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 eight days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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

Deposits

At fiscal year end, the District had \$5,100 in undeposited cash on hand which is included on the balance sheet of the District as part of Equity in Pooled Cash and Investments.

At year-end, the carrying amount of the District's deposits was \$226,314. The bank balance of deposits was \$325,844 and of the bank balance, \$101,007 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized as defined by GASB. Although the securities were held by the pledging financial institutions' trust department in the School District's name and all statutory requirements for the investment of the money had been followed, noncompliance with the federal requirements would potentially subject the money held in the School District's name to a successful claim by the FDIC.

Investments

The District's investments are categorized to give an indication of the level of risk assumed by the entity at year-end.

CATEGORY 1 includes investments that are issued, registered, or held by the District or its agent in the District's name.

CATEGORY 2 includes uninsured and unregistered investments held by the counterparty's trust department or agent in the District's name.

CATEGORY 3 includes uninsured and unregistered investments held by the counterparty, or by its department or agent, but not in the District's name.

Based on the above criteria, the District's investments at year-end are classified as follows:

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

(Continued)

<u>INVESTMENTS</u>	<u>RISK CATEGORY</u>	<u>CARRYING VALUE / FAIR VALUE</u>
Money Market	3	\$2,807,891
U.S. Treasury Note	3	<u>119,438</u>
		<u>\$2,927,329</u>

(3) Unclassified Investments because they are not evidenced by securities that exist in physical or book entry form.

4. PROPERTY TAXES

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 1999 were based, are as follows:

Tangible Personal	\$16,135,950
Public Utility and Real Estate	<u>81,160,420</u>
Total Assessed Property Value	<u>\$97,296,370</u>

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 School District. Real property taxes are levied on 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 35 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 88 percent of true value (with certain exceptions) and on real property at 35 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 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment was due by January 20. If paid semi-annually, the first payment (at least one-half of amount billed) was due January 20, with the remainder due on June 20.

The Clinton County Auditor remits portions of the taxes collected with periodic settlements of Real and Public Utility property taxes in February and August and Tangible Personal Property Taxes in June and October to all taxing districts.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

(Continued)

The School District receives property taxes from Clinton, Clermont, Brown and Warren Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999 are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

5. FIXED ASSETS

A summary of the General Fixed Assets Account Group at year-end follows:

	Balance Beginning <u>Year</u>	<u>Additions</u>	<u>Deletions</u>	Balance End of <u>Year</u>
Land	\$100,900	\$0	\$0	100,900
Buildings	4,143,028	0	0	4,143,028
Equipment	<u>2,157,629</u>	<u>179,367</u>	<u>(2,002)</u>	<u>2,334,994</u>
Totals	<u>\$6,401,557</u>	<u>\$179,367</u>	<u>(\$2,002)</u>	<u>\$6,578,922</u>

A summary of the Proprietary Fund fixed assets at year-end follows:

Equipment	\$117,245
Less Accumulated Depreciation	<u>(86,749)</u>
Net Fixed Assets	<u>\$ 30,496</u>

6. CHANGES IN THE GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP

During the year ended June 30, 1999, the following changes occurred in debt reported in the General Long-Term Obligations Account Group:

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

	Balance Beginning of Year	<u>Increase</u>	<u>Decrease</u>	Balance End of Year
Accrued Wages & Benefits	\$ 38,487	\$ 5,533	\$ 0	\$ 44,020
General Obligation Bond	803,193	0	(105,666)	697,527
Compensated Absences	<u>306,603</u>	<u>54,588</u>	<u>0</u>	<u>361,191</u>
TOTAL	<u>\$1,148,283</u>	<u>\$60,121</u>	<u>(\$105,666)</u>	<u>\$1,102,738</u>

7. LONG-TERM DEBT

All current obligation bonds outstanding, issued to provide funds for the acquisition of equipment and facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligation Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund. Interest payments are made in June and December of each year. Principal payments are made in December only. The source of payment is derived from debt tax issue proceeds.

A. The following is a description of the District's bonds outstanding as of year-end:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 6/30/98</u>	<u>Issued 1999</u>	<u>Retired 1999</u>	<u>Balance 6/30/99</u>
Remodeling Main							
Street School	6.125	12/1/80	12/1/1	\$160,000	\$ 0	\$40,000	\$120,000
Putnam Addition & Jr. High Gymnasium	7.75	2/1/89	12/1/10	594,000	0	50,000	544,000
Modular Classrooms	4.60	3/15/96	3/15/01	<u>49,193</u>	<u>0</u>	<u>15,665</u>	<u>33,528</u>
TOTAL				<u>\$803,193</u>	<u>\$ 0</u>	<u>\$105,665</u>	<u>\$697,528</u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

(Continued)

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

<u>Year Ending June 30</u>	<u>Principal on General Obligation Bonds</u>	<u>Interest on General Obligation Bonds</u>	<u>Total</u>
2000	\$106,387	\$47,890	\$154,277
2001	102,141	41,005	143,146
2002	85,000	34,279	119,279
2003	45,000	29,566	74,566
2004	45,000	26,079	71,079
2005	45,000	22,591	67,591
2006	45,000	19,104	64,104
2007	45,000	15,616	60,616
2008	45,000	12,129	57,129
2009	45,000	8,641	53,641
2010	45,000	5,154	50,154
2011	<u>44,000</u>	<u>1,705</u>	<u>45,705</u>
Totals	<u>\$697,528</u>	<u>\$263,759</u>	<u>\$961,287</u>

8. INTERFUND ACTIVITY

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

<u>Fund Type / Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 22,877	\$ 0
Special Revenue Fund:		
Title I	0	1,113
Capital Projects Fund:		
OVEP 1999	0	1,764
Enterprise Fund:		
School Supplies	<u>0</u>	<u>20,000</u>
Total All Funds	<u>\$ 22,877</u>	<u>\$ 22,877</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

9. SEGMENT INFORMATION

Enterprise Funds - The District maintains two Enterprise Funds to account for the operations of Food Service and Uniform School Supply. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the current year-end.

	<u>Food Services</u>	<u>Uniform School Supply</u>	<u>Total</u>
Operating Revenue	\$331,553	\$49,214	\$380,767
Operating Expenditures before Depreciation	457,922	40,781	498,703
Depreciation	1,565	0	1,565
Operating Income (Loss)	(127,934)	8,433	(119,501)
Donated Commodities	18,354	0	18,354
Operating Grants	124,483	0	124,483
Miscellaneous Revenue	77	0	77
Investment Revenue	459	0	459
Operating Transfers In	0	197	197
Net Income (Loss)	15,439	8,630	24,069
Net Working Capital	14,197	24,393	38,590
Total Assets	102,746	31,848	134,594
Total Liabilities	78,053	7,455	85,508
Total Equity	24,693	24,393	49,086

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by School Employees Retirement Board. SERS provides basic retirement benefits,

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

(Continued)

disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14%. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's contributions to SERS for the years ending June 30, 1999, 1998, and 1997 were \$147,336, \$168,604 and \$142,938 respectively, 47% has been contributed for fiscal year 1999 and 100% for fiscal year 1998 and 1997. \$77,712 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds and the general long-term obligation account group.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%. Contribution rates are established by STRS, 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 STRS for the years ending June 30, 1999, 1998 and 1997 were \$593,736, \$575,561, and \$566,559, respectively, 82% has been contributed for fiscal year 1999 and 100% for fiscal year 1998 and 1997. \$104,376 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds.

11. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

(Continued)

contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1999, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1998, this allocation was increased from 3.5 percent. For the School District, this amount equaled \$339,278 during fiscal 1999.

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

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

For this fiscal year, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The Surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health benefits. For the School District, the amount to fund health care benefits, including the surcharge equaled \$41,372 during the 1999 fiscal year.

12. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. A reconciliation of the nature and amounts of the adjustments necessary to convert the GAAP financial statements to the budgetary basis follows:

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

(Continued)

Reconciliation of Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses From GAAP Basis to Budgetary Basis:

<u>Governmental Fund Types</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>
GAAP Basis	\$735,228	\$34,628	\$42,520	(\$ 1,453)
Net Adjustment for Revenue Accruals	(212,553)	270	(4,771)	(1,035)
Net Adjustment for Expenditure Accruals	61,387	(49,664)	0	12,739
Net Adjustments for Encumbrances	<u>(320,144)</u>	<u>(32,796)</u>	<u>0</u>	<u>(108,293)</u>
Budgetary Basis	<u>\$263,918</u>	<u>(\$47,562)</u>	<u>\$37,749</u>	<u>(\$ 98,042)</u>

13. COMPLIANCE AND ACCOUNTABILITY

State statute requires all funds to have expenditures and encumbrances within approved appropriation limits. All funds of the District had expenditures and encumbrances within the approved appropriations.

14. CONTINGENT LIABILITIES

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

15. JOINTLY GOVERNED ORGANIZATIONS

The Miami Valley Educational Computer Association (MVECA) is a jointly governed organization consisting of 27 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports MVECA and shares in a percentage of equity based on the resources provided. MVECA is governed by a board of directors consisting of superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

(Continued)

board. To obtain financial information write to: Mr. Steven Sutcliffe, Treasurer, Greene County Career Center, 2960 West Enon Road, Xenia, Ohio 45385.

The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education, and its own governing board. The governing board is made up of Superintendents from the seventeen school districts plus county board of education, mental retardation and developmental disabilities, and joint vocational school superintendents, as well as three parents of handicapped children in the region. The Clinton-Fayette-Highland Educational Service District acts as fiscal agent. Hopewell receives funding from contracts with each of the member school districts and from Federal and State grants. To obtain financial information write to: Mrs. Patrice Thompson, Treasurer, Clinton-Fayette-Highland Educational Service District, 62 Laurel Drive, Wilmington, Ohio 45177.

16. RELATED ORGANIZATION

Public Library - The Blanchester Public Library is a district 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 Blanchester 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 School District for operational subsidies. Although the School 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 Blanchester Public Library, Mrs. Pamela Smith, Clerk/Treasurer, at 110 North Broadway, Blanchester, Ohio 45107.

17. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters. The District addresses these risks by maintaining a comprehensive risk management program through the purchase of various types of liability, inland marine, and property insurance from private carriers. Settled claims have not exceeded commercial coverage in any of the past three years.

Dental/Prescription insurance is offered to employees through a self-insured internal service fund. The claims liability is reported in the internal service fund at year end is based on a review of claims processed after year end by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10, which

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

(Continued)

requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported.

Medical insurance is offered to employees through a self-insurance internal service fund. The School District is a member of the Ross County School Employees Insurance Consortium, a claims servicing pool, consisting of fourteen school districts within Ross County and its surrounding area, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$124,461 reported in the internal service fund at June 30, 1999 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No.10 which required that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in claims activity for the 1999 fiscal year (information for the 1998 fiscal year is not available) follows:

	Balance at Beginning of <u>Year</u>	Current Year <u>Claims</u>	Claims <u>Payments</u>	Balance at End <u>of Year</u>
1999	\$106,108	\$865,170	\$846,817	\$124,461

18. UNCERTAINTIES

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 that system. Declared unconstitutional was the State's "school foundation program", which provides significant amount of monetary support to this District. During the fiscal year ended June 30, 1999, the School District received \$5,480,467 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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

(Continued)

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

19. 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:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>
Balance, Beginning of year	\$ 0	\$ 0	\$32,117
Required Set-Aside	115,499	115,499	57,750
Offset Credits	(25,096)	(98,604)	0
Qualifying Expenditures	<u>(90,403)</u>	<u>(16,895)</u>	<u>0</u>
Balance, End of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$89,867</u>

Offsets and expenditures for capital activity during the year exceeded the required set-aside and the reserve balance.

Offsets and expenditures for textbook activity during the year exceeded the required set-aside and the reserve balance.

20. ACCOUNTABILITY

The Internal Service Fund had a deficit fund balance of \$265,613 at June 30, 1999 for amounts due from the District to the Ross County School Employees Insurance Consortium for claims in excess of premiums paid and amounts incurred but not reported. The District plans to eliminate the deficit in future years through increased charges for self-insurance.

21. PRIOR YEAR RESTATEMENT

The District recorded liabilities in the Internal Service Fund at July 1, 1998 that were not previously recorded. This decreased the retained earnings at July 1, 1998 from \$165,493 to (\$193,273).

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

(Continued)

22. SUBSEQUENT EVENT

The District entered into an agreement with the Ohio School Facilities Commission for the construction of new schools in the district after the fiscal year end. The District's voters also passed a tax levy to provide for the District's portion of the project.

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**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Food Distribution Program	N/A	10.550	\$0	\$18,338	\$0	\$18,354
Child Nutrition Cluster:						
National School Breakfast Program	05-PU-98 05-PU-99	10.553	10,169	0	10,169	0
National School Lunch Program	04-PU-99 03-PU-99 04-PU-98 03-PU-98	10.555	90,708	0	90,708	0
Total Child Nutrition Cluster			<u>100,877</u>	<u>0</u>	<u>100,877</u>	<u>0</u>
Total U.S. Department of Agriculture			100,877	18,338	100,877	18,354
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Preschool Grants (Title VI B)	PG-S1-99	84.173	4,563	0	3,375	0
Special Education Grants to States (Title VI B)	6B-SF-98 6B-SF-99	84.027	<u>84,012</u>	<u>0</u>	<u>65,727</u>	<u>0</u>
Total Special Education Cluster			88,575	0	69,102	0
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-98 C1-S1-99	84.010	226,073	0	180,941	0
Innovative Educational Program Strategies	C2-S1-98 C2-S1-99	84.298	6,530	0	6,593	0
Drug-Free Schools Grant	DR-S1-99	84.186	<u>9,357</u>	<u>0</u>	<u>3,594</u>	<u>0</u>
Total Department of Education			330,535	0	260,230	0
Totals			<u>\$431,412</u>	<u>\$18,338</u>	<u>\$361,107</u>	<u>\$18,354</u>

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

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Government's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.

NOTE C - TITLE VIB PROGRAM

The district repaid an advance to the general fund in the amount of 17,352. This amount was deducted from expenditures, as this is not considered a federal program expenditure.

NOTE D - TITLE I PROGRAM

The district repaid an advance to the general fund in the amount of 41,236. This amount was deducted from expenditures, as this is not considered a federal program expenditure. The district also moved money from fiscal year 1998 project to carryover project in the amount of 14,142. This receipt was deducted from receipts as it was not considered a federal receipt at this time.



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OFFICE OF THE AUDITOR

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

Blanchester Local School District
Clinton County
3580 St. Rt. 28
Blanchester, Ohio 45107

To the Board of Education:

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

Compliance

As part of obtaining reasonable assurance about whether Blanchester Local School 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 Blanchester Local School District in a separate letter dated March 15, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Blanchester Local School 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 Blanchester Local School 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 1999-10414-001.

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, the reportable condition described above is not considered to be 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 Blanchester Local School District in a separate letter dated March 15, 2000.

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

Jim Petro
Auditor of State

March 15, 2000



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

Board of Education
Blanchester Local School District
Clinton County
3580 St. Rt. 28
Blanchester, Ohio 45107

To the Board of Education:

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

Jim Petro
Auditor of State

March 15, 2000

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

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

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

FINDING NUMBER 1999-10414-001

Monitoring Self-Insurance Activity

The District is a member of the Ross County School Employees Insurance Consortium (RCSEIC) for health self-insurance purposes. The District pays premiums monthly to the RCSEIC who then pays the third party administrator (TPA) for District claims. The District receives summary reports and a listing of claims payments from the TPA that are utilized to post activity to the District's financial statements. The District receives no reports from the consortium. Appropriate monitoring controls were not in place at the District over the claims payment activity and the summary reports received from the TPA.

Lack of proper monitoring controls allowed erroneous summary reports, presented by the TPA, to be posted to the District's financial statements. (Material) adjustments have been posted to the accompanying financial statements to correct these errors.

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

FINDING NUMBER 1999-10414-001
(Continued)

Monitoring Self-Insurance Activity (Continued)

The District should obtain from the RCSEIC a summary report and reconciliation of the District's activity with the RCSEIC. The District should monitor these reports and compare them with the TPA summary reports to insure accuracy prior to posting activity to the financial statements. The District should also review listings of claims the TPA has approved to help assure the beneficiary is eligible for the benefits (i.e., is a District employee or family member).

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



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BLANCHESTER LOCAL SCHOOL DISTRICT

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 18, 2000**