



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



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

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Balance Sheet – All Fund Types and Account Groups – As of June 30, 2002.....	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund - For the Fiscal Year Ended June 30, 2002 .....	6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (NON-GAAP Basis) and Actual – All Governmental Fund Types - For the Fiscal Year Ended June 30, 2002 .....	7
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings - All Proprietary Fund Types – For the Fiscal Year Ended June 30, 2002 .....	10
Combined Statement of Cash Flows - All Proprietary Fund Types - For the Fiscal Year Ended June 30, 2002 .....	11
Notes to the Financial Statements .....	13
Schedule of Federal Awards Expenditures – For the Fiscal Year Ended June 30, 2002.....	34
Notes to the Schedule of Federal Awards Expenditures .....	35
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	37
Report of Independent Accountants on Compliance with Requirements Application to Major Federal Programs and Internal Control over Compliance in Accordance with <i>OMB Circular A-133</i> .....	39
Schedule of Findings .....	41
Schedule of Prior Audit Findings.....	43

THIS PAGE INTENTIONALLY LEFT BLANK



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza  
130 West Second Street  
Suite 2040  
Dayton, Ohio 45402  
Telephone 937-285-6677  
800-443-9274  
Facsimile 937-285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

**REPORT OF INDEPENDENT ACCOUNTANTS**

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Tipp City Exempted Village School District, Miami County, (the District) as of and for the year ended June 30, 2002, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Tipp City Exempted Village School District, Miami County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2002, 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.

The accompanying schedule of federal awards expenditures is presented for 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. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

**Jim Petro**  
Auditor of State

November 22, 2002

THIS PAGE INTENTIONALLY LEFT BLANK

**TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 2002**

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
<u>Assets and Other Debits:</u>				
<i>Assets:</i>				
Cash and Cash Equivalents	\$1,991,715	\$337,631	\$389,103	\$375,547
Investments	100,653	0	0	21,024,902
Receivables (net of allowance for doubtful accounts):				
Taxes	7,703,202	0	1,355,292	590,999
Accounts	323	0	0	0
Intergovernmental	22	60,097	5	2
Interest	2,230	0	0	0
Inventory of Supplies at Cost	0	0	0	0
Prepaid Items	44,467	11,066	0	25,804
Restricted Assets:				
Cash and Cash Equivalents	0	0	59,281	0
Cash with Fiscal Agents	0	0	7,422	0
Fixed Assets (net of accumulated depreciation)	0	0	0	0
<i>Other Debits:</i>				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for				
General Long-Term Obligations	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$9,842,612</b>	<b>\$408,794</b>	<b>\$1,811,103</b>	<b>\$22,017,254</b>
<u>Liabilities, Equity and Other Credits:</u>				
<i>Liabilities:</i>				
Accounts Payable	\$45,950	\$9,393	\$0	\$13,186
Contracts Payable	0	0	0	68,389
Accrued Wages and Benefits	1,307,010	16,724	0	0
Intergovernmental Payables	288,900	3,312	0	0
Due to Students	0	0	0	0
Matured Bonds and Interest Payable	0	0	66,703	0
Accrued Interest Payable	0	0	0	23,942
Deferred Revenue - Taxes	6,733,489	0	1,219,816	530,095
Deferred Revenue	0	60,097	0	0
General Obligation Notes Payable	0	0	0	2,600,000
Compensated Absences Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<b>8,375,349</b>	<b>89,526</b>	<b>1,286,519</b>	<b>3,235,612</b>
<i>Equity and Other Credits:</i>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	91,638	46,272	0	17,935,050
Reserved for Property Taxes	961,540	0	133,790	60,164
Reserved for Prepaid Items	44,467	11,066	0	25,804
Reserved for Debt Service	0	0	390,794	0
Unreserved:				
Undesignated	369,618	261,930	0	760,624
<b>Total Equity and Other Credits</b>	<b>1,467,263</b>	<b>319,268</b>	<b>524,584</b>	<b>18,781,642</b>
<b>Total Liabilities, Equity and Other Credits</b>	<b>\$9,842,612</b>	<b>\$408,794</b>	<b>\$1,811,103</b>	<b>\$22,017,254</b>

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

**TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 2002**

<i>Proprietary Fund Type</i>	<i>Fiduciary Fund Types</i>	<i>Account Groups</i>		Totals (Memorandum Only)
Enterprise Funds	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	
\$214,098	\$64,939	\$0	\$0	\$3,373,033
0	0	0	0	21,125,555
0	0	0	0	9,649,493
0	0	0	0	323
9,818	0	0	0	69,944
0	0	0	0	2,230
13,970	0	0	0	13,970
445	0	0	0	81,782
0	0	0	0	59,281
0	0	0	0	7,422
65,751	0	12,820,186	0	12,885,937
0	0	0	390,794	390,794
0	0	0	21,291,890	21,291,890
<u>\$304,082</u>	<u>\$64,939</u>	<u>\$12,820,186</u>	<u>\$21,682,684</u>	<u>\$68,951,654</u>
\$605	\$184	\$0	\$0	\$69,318
0	0	0	0	68,389
20,897	0	0	0	1,344,631
44,343	0	0	110,311	446,866
0	50,104	0	0	50,104
0	0	0	0	66,703
0	0	0	0	23,942
0	0	0	0	8,483,400
0	0	0	0	60,097
0	0	0	0	2,600,000
36,768	0	0	1,842,373	1,879,141
0	0	0	19,730,000	19,730,000
<u>102,613</u>	<u>50,288</u>	<u>0</u>	<u>21,682,684</u>	<u>34,822,591</u>
0	0	12,820,186	0	12,820,186
201,469	0	0	0	201,469
0	5,049	0	0	18,078,009
0	0	0	0	1,155,494
0	0	0	0	81,337
0	0	0	0	390,794
0	9,602	0	0	1,401,774
<u>201,469</u>	<u>14,651</u>	<u>12,820,186</u>	<u>0</u>	<u>34,129,063</u>
<u>\$304,082</u>	<u>\$64,939</u>	<u>\$12,820,186</u>	<u>\$21,682,684</u>	<u>\$68,951,654</u>

**TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<i>Governmental</i>			<i>Fiduciary</i>		Totals (Memorandum Only)
	<i>Fund Types</i>			<i>Fund Type</i>		
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Fund	
<b>Revenues:</b>						
<b>Local Sources:</b>						
Taxes	\$8,079,352	\$0	\$1,403,532	\$607,054	\$0	\$10,089,938
Tuition	23,159	0	0	0	0	23,159
Investment Earnings	100,179	0	0	531,266	0	631,445
Extracurricular Activities	0	446,566	0	0	8,272	454,838
Intergovernmental - State	6,939,894	104,436	142,881	68,484	0	7,255,695
Intergovernmental - Federal	0	317,427	0	0	0	317,427
All Other Revenues	16,671	1,800	375	0	28,701	47,547
<b>Total Revenues</b>	<b>15,159,255</b>	<b>870,229</b>	<b>1,546,788</b>	<b>1,206,804</b>	<b>36,973</b>	<b>18,820,049</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Instruction	9,157,426	305,852	0	95,590	27,665	9,586,533
<b>Supporting Services:</b>						
Pupils	667,743	12,940	0	0	0	680,683
Instructional Staff	742,241	19,846	0	0	0	762,087
Board of Education	23,003	0	0	0	0	23,003
Administration	1,079,969	0	0	0	0	1,079,969
Fiscal Services	398,474	175	0	0	0	398,649
Business	132,193	0	0	0	0	132,193
Operation and Maintenance of Plant	1,048,888	0	0	0	0	1,048,888
Pupil Transportation	615,345	0	0	0	0	615,345
Central	222,115	10,908	0	73,435	0	306,458
Extracurricular Activities	334,496	440,827	0	0	5,071	780,394
Capital Outlay	0	0	0	2,006,357	0	2,006,357
<b>Debt Service:</b>						
Principal Retirement	0	0	270,000	0	0	270,000
Interest and Fiscal Charges	0	0	1,087,517	46,981	0	1,134,498
<b>Total Expenditures</b>	<b>14,421,893</b>	<b>790,548</b>	<b>1,357,517</b>	<b>2,222,363</b>	<b>32,736</b>	<b>18,825,057</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	737,362	79,681	189,271	(1,015,559)	4,237	(5,008)
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	15,800	0	0	0	0	15,800
Refund of Prior Years' Expenditures	323	0	0	0	0	323
Operating Transfers In	0	0	7,030	20,464,393	0	20,471,423
Operating Transfers Out	0	0	(20,471,423)	0	0	(20,471,423)
<b>Total Other Financing Sources (Uses)</b>	<b>16,123</b>	<b>0</b>	<b>(20,464,393)</b>	<b>20,464,393</b>	<b>0</b>	<b>16,123</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	753,485	79,681	(20,275,122)	19,448,834	4,237	11,115
Fund Balance (Deficit) Beginning of Year	713,778	239,587	20,799,706	(667,192)	10,414	21,096,293
Fund Balance End of Year	<u>\$1,467,263</u>	<u>\$319,268</u>	<u>\$524,584</u>	<u>\$18,781,642</u>	<u>\$14,651</u>	<u>\$21,107,408</u>

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

**TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Local Sources:						
Taxes	\$7,923,583	\$7,923,583	\$0	\$0	\$0	\$0
Tuition	23,159	23,159	0	0	0	0
Investment Earnings	97,949	97,949	0	0	0	0
Extracurricular Activities	0	0	0	446,566	446,566	0
Intergovernmental - State	6,939,872	6,939,872	0	104,436	104,436	0
Intergovernmental - Federal	0	0	0	312,747	312,747	0
All Other Revenues	16,671	16,671	0	1,800	1,800	0
Total Revenues	15,001,234	15,001,234	0	865,549	865,549	0
<b>Expenditures:</b>						
<i>Current:</i>						
Instruction	9,549,982	9,128,679	421,303	362,798	314,887	47,911
Supporting Services:						
Pupils	710,384	679,861	30,523	50,656	22,778	27,878
Instructional Staff	811,296	745,589	65,707	27,740	16,927	10,813
Board of Education	33,700	28,309	5,391	0	0	0
Administration	1,144,883	1,110,593	34,290	0	0	0
Fiscal Services	417,960	400,192	17,768	0	0	0
Business	134,750	131,344	3,406	0	0	0
Operation and Maintenance of Plant	1,127,360	1,065,538	61,822	0	0	0
Pupil Transportation	723,169	688,173	34,996	0	0	0
Central	266,398	233,633	32,765	25,679	13,947	11,732
Extracurricular Activities	354,046	335,355	18,691	518,379	475,233	43,146
Capital Outlay	0	0	0	0	0	0
<i>Debt Service:</i>						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	15,273,928	14,547,266	726,662	985,252	843,772	141,480
Excess (Deficiency) of						
Revenues Over (Under) Expenditures	(272,694)	453,968	726,662	(119,703)	21,777	141,480
<b>Other Financing Sources (Uses):</b>						
Proceeds from General Obligation Notes	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	15,800	15,800	0	0	0	0
Refund of Prior Years' Expenditures	37,008	37,008	0	0	0	0
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	(5,000)	0	5,000	0	0	0
Advances In	20,000	20,000	0	0	0	0
Advances Out	(10,000)	0	10,000	0	(20,000)	(20,000)
Total Other Financing Sources (Uses)	57,808	72,808	15,000	0	(20,000)	(20,000)
Excess (Deficiency) of Revenues						
and Other Financing Sources Over (Under)						
Expenditures and Other Financing Uses	(214,886)	526,776	741,662	(119,703)	1,777	121,480
Fund Balance at Beginning of Year	1,302,902	1,302,902	0	240,302	240,302	0
Prior Year Encumbrances	108,446	108,446	0	37,329	37,329	0
Fund Balance at End of Year	\$1,196,462	\$1,938,124	\$741,662	\$157,928	\$279,408	\$121,480

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

(Continued)

**TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<i>Debt Service Fund</i>			<i>Capital Projects Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Local Sources:						
Taxes	\$1,376,275	\$1,376,275	\$0	\$592,583	\$592,583	\$0
Tuition	0	0	0	0	0	0
Investment Earnings	0	0	0	458,144	458,144	0
Extracurricular Activities	0	0	0	0	0	0
Intergovernmental - State	142,876	142,876	0	68,482	68,482	0
Intergovernmental - Federal	0	0	0	0	0	0
All Other Revenues	13,322	13,322	0	0	0	0
Total Revenues	<u>1,532,473</u>	<u>1,532,473</u>	<u>0</u>	<u>1,119,209</u>	<u>1,119,209</u>	<u>0</u>
<b>Expenditures:</b>						
Current:						
Instruction	0	0	0	119,290	100,491	18,799
Supporting Services:					0	
Pupils	0	0	0	0	0	0
Instructional Staff	0	0	0	0	0	0
Board of Education	0	0	0	0	0	0
Administration	0	0	0	0	0	0
Fiscal Services	0	0	0	0	0	0
Business	0	0	0	0	0	0
Operation and Maintenance of Plant	0	0	0	0	0	0
Pupil Transportation	0	0	0	0	0	0
Central	0	0	0	100,000	99,404	596
Extracurricular Activities	0	0	0	0	0	0
Capital Outlay	0	0	0	20,149,983	20,006,463	143,520
Debt Service:						
Principal Retirement	20,527,970	20,270,000	257,970	0	0	0
Interest and Fiscal Charges	1,655,000	1,551,910	103,090	0	0	0
Total Expenditures	<u>22,182,970</u>	<u>21,821,910</u>	<u>361,060</u>	<u>20,369,273</u>	<u>20,206,358</u>	<u>162,915</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,650,497)	(20,289,437)	361,060	(19,250,064)	(19,087,149)	162,915
<b>Other Financing Sources (Uses):</b>						
Proceeds from General Obligation Notes	0	0	0	2,600,000	2,600,000	0
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Refund of Prior Years' Expenditures	0	0	0	0	0	0
Operating Transfers In	7,030	7,030	0	0	0	0
Operating Transfers Out	(7,030)	(7,030)	0	0	0	0
Advances In	0	0	0	0	0	0
Advances Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,600,000</u>	<u>2,600,000</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(20,650,497)	(20,289,437)	361,060	(16,650,064)	(16,487,149)	162,915
Fund Balance at Beginning of Year	20,678,540	20,678,540	0	19,258,343	19,258,343	0
Prior Year Encumbrances	0	0	0	589,708	589,708	0
Fund Balance at End of Year	<u>\$28,043</u>	<u>\$389,103</u>	<u>\$361,060</u>	<u>\$3,197,987</u>	<u>\$3,360,902</u>	<u>\$162,915</u>

(Continued)

**TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<i>Totals (Memorandum Only)</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>			
Local Sources:			
Taxes	\$9,892,441	\$9,892,441	\$0
Tuition	23,159	23,159	0
Investment Earnings	556,093	556,093	0
Extracurricular Activities	446,566	446,566	0
Intergovernmental - State	7,255,666	7,255,666	0
Intergovernmental - Federal	312,747	312,747	0
All Other Revenues	31,793	31,793	0
Total Revenues	<u>18,518,465</u>	<u>18,518,465</u>	<u>0</u>
<b>Expenditures:</b>			
Current:			
Instruction	10,032,070	9,544,057	488,013
Supporting Services:			
Pupils	761,040	702,639	58,401
Instructional Staff	839,036	762,516	76,520
Board of Education	33,700	28,309	5,391
Administration	1,144,883	1,110,593	34,290
Fiscal Services	417,960	400,192	17,768
Business	134,750	131,344	3,406
Operation and Maintenance of Plant	1,127,360	1,065,538	61,822
Pupil Transportation	723,169	688,173	34,996
Central	392,077	346,984	45,093
Extracurricular Activities	872,425	810,588	61,837
Capital Outlay	20,149,983	20,006,463	143,520
Debt Service:			
Principal Retirement	20,527,970	20,270,000	257,970
Interest and Fiscal Charges	1,655,000	1,551,910	103,090
Total Expenditures	<u>58,811,423</u>	<u>57,419,306</u>	<u>1,392,117</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(40,292,958)	(38,900,841)	1,392,117
<b>Other Financing Sources (Uses):</b>			
Proceeds from General Obligation Notes	2,600,000	2,600,000	0
Proceeds from Sale of Fixed Assets	15,800	15,800	0
Refund of Prior Years' Expenditures	37,008	37,008	0
Operating Transfers In	7,030	7,030	0
Operating Transfers Out	(12,030)	(7,030)	5,000
Advances In	20,000	20,000	0
Advances Out	(10,000)	(20,000)	(10,000)
Total Other Financing Sources (Uses)	<u>2,657,808</u>	<u>2,652,808</u>	<u>(5,000)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(37,635,150)	(36,248,033)	1,387,117
Fund Balance at Beginning of Year	41,480,087	41,480,087	0
Prior Year Encumbrances	735,483	735,483	0
Fund Balance at End of Year	<u>\$4,580,420</u>	<u>\$5,967,537</u>	<u>\$1,387,117</u>

**TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN RETAINED EARNINGS**  
**ALL PROPRIETARY FUND TYPES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u><i>Enterprise Funds</i></u>
<u>Operating Revenues:</u>	
Tuition and Fees	\$78,879
Sales	459,832
Other Operating Revenues	259
Total Operating Revenues	538,970
<u>Operating Expenses:</u>	
Salaries and Wages	239,631
Fringe Benefits	68,833
Contractual Services	7,423
Materials and Supplies	379,438
Depreciation	9,705
Total Operating Expenses	705,030
Operating Loss	(166,060)
<u>Non-Operating Revenues (Expenses):</u>	
Federal Donated Commodities	58,813
Operating Grants	83,337
Investment Earnings	5,155
Total Non-Operating Revenues (Expenses)	147,305
Net Loss	(18,755)
Restated Retained Earnings at Beginning of Year	220,224
Retained Earnings at End of Year	\$201,469

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

**TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u><i>Enterprise Funds</i></u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$460,091
Cash Received from Tuition and Fee Payments	78,879
Cash Payments for Goods and Services	(335,753)
Cash Payments to Employees for Services and Benefits	(313,089)
Net Cash Used for Operating Activities	<u>(109,872)</u>
 <u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	<u>73,519</u>
Net Cash Provided by Noncapital Financing Activities	<u>73,519</u>
 <u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments for Capital Acquisitions	<u>(4,655)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(4,655)</u>
 <u>Cash Flows from Investing Activities:</u>	
Receipts of Interest	<u>5,155</u>
Net Cash Provided by Investing Activities	<u>5,155</u>
 Net Decrease in Cash and Cash Equivalents	 (35,853)
Cash and Cash Equivalents at Beginning of Year	<u>249,951</u>
Cash and Cash Equivalents at End of Year	<u><u>\$214,098</u></u>
 <u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used by Operating Activities:</u>	
Operating Loss	(\$166,060)
Adjustments to Reconcile Operating Loss to	
Net Cash Used by Operating Activities:	
Depreciation Expense	9,705
Donated Commodities Used During the Year	58,813
Changes in Assets and Liabilities:	
Decrease in Inventory	6,545
Decrease in Prepaid Items	817
Decrease in Accounts Payable	(1,285)
Increase in Accrued Wages and Benefits	419
Increase in Intergovernmental Payables	502
Decrease in Deferred Revenue	(13,782)
Decrease in Compensated Absences	(5,546)
Total Adjustments	<u>56,188</u>
Net Cash Used for Operating Activities	<u><u>(\$109,872)</u></u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

**TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

---

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

The District is associated with organizations which are defined as insurance purchasing pool, jointly governed organizations, and a related organization. These organizations are presented in Notes 15, 17 and 18 to the general purpose financial statements.

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

**B. Basis of Presentation - Fund Accounting**

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation - Fund Accounting** (Continued)

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

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

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

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

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

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

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

**Enterprise Funds** - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**B. Basis of Presentation - Fund Accounting** (Continued)

*Fiduciary Funds*

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

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

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

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

**C. Basis of Accounting**

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

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

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

Current property taxes measurable at June 30, 2002, and which are not intended to finance fiscal 2002 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2002 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting (Continued)**

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

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

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

**D. Budgetary Process**

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

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

**1. Tax Budget**

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Process (Continued)**

2. Estimated Resources

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the fiscal year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2002.

3. Appropriations

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

4. Encumbrances

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

5. Lapsing of Appropriations

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis (as reported)	\$753,485	\$79,681	(\$20,275,122)	\$19,448,834
Increase (Decrease):				
Accrued Revenues at June 30, 2002, received during FY 2003	(972,288)	0	(135,481)	(134,028)
Accrued Revenues at June 30, 2001, received during FY 2002	870,952	0	121,166	46,433
Accrued Expenditures at June 30, 2002, paid during FY 2003	1,641,860	29,429	0	105,517
Accrued Expenditures at June 30, 2001, paid during FY 2002	(1,607,081)	(46,163)	0	(561,676)
Revenues of Unbudgeted Funds	0	(4,680)	0	0
Expenditures of Unbudgeted Funds	0	4,928	0	0
Proceeds of General Obligation Notes	0	0	0	2,600,000
Retirement of General Obligation Notes	0	0	0	(20,000,000)
FY 2001 Prepays for FY 2002	38,559	7,871	0	0
FY 2002 Prepays for FY 2003	(44,467)	(11,066)	0	(25,804)
Encumbrances Outstanding	(154,244)	(58,223)	0	(17,966,425)
Budget Basis	<u>\$526,776</u>	<u>\$1,777</u>	<u>(\$20,289,437)</u>	<u>(\$16,487,149)</u>

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Cash and Cash Equivalents**

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

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each had maintained its own cash and investment account. See Note 4, "Cash, Cash Equivalents and Investments."

**F. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District reports its repurchase agreements and money market funds at cost. See Note 4, "Cash, Cash Equivalents and Investments."

**G. Inventory**

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

**H. Fixed Assets and Depreciation**

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

**1. Property, Plant and Equipment - General Governmental Purposes**

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

General fixed asset values were initially determined at June 30, 1993 by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Assets valued at less than \$500 are not capitalized.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Fixed Assets and Depreciation** (Continued)

2. Property, Plant and Equipment - Proprietary Fund

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed fixed assets are recorded at fair market value at the date received. Assets valued at less than \$500 are not capitalized.

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

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

**I. Long-Term Obligations**

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

Obligation	Fund
Compensated Absences	General Fund, Food Services Fund
Intergovernmental Payable	General Fund
G.O. Bond	Debt Service Fund

**J. Compensated Absences**

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Pensions**

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

**L. Interfund Transactions**

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

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

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

**M. Restricted Assets**

Restricted assets in the debt service fund represent cash and cash equivalents restricted in use for debt service payments.

**N. Reservations of Fund Balance**

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

**O. Total Columns on Combined Financial Statements - Overview**

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

**NOTE 2 - PRIOR PERIOD ADJUSTMENTS**

A restatement was necessary to correct errors in accounting for proprietary fixed asset balances. The restatement resulted in the following change to the beginning retained earnings balance in the enterprise funds:

<b>Enterprise Funds:</b>	
Retained Earnings at 6/30/01 (as reported)	\$213,351
Fixed Asset Restatement	6,873
Retained Earnings at 6/30/01 (restated)	<u>\$220,224</u>

**NOTE 3 - COMPLIANCE AND ACCOUNTABILITY**

*Fund Deficits* - The fund deficit at June 30, 2002 of \$5,171 in the Chapter I Fund (special revenue) arose from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. A deficit does not exist under the budgetary basis of accounting.

**NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

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

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

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

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

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

**NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of this state, and any county, township, school district, municipal corporation, or other legally constituted taxing subdivision of this state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, “*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*,” collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions’ agent in the pool’s name are classified as Category 3.

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

*Deposits:*

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

*Investments:*

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

**NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**A. Deposits**

At fiscal year end the carrying amount of the District's deposits was \$3,373,033 and the bank balance was \$3,706,897. The Federal Deposit Insurance Corporation (FDIC) covered \$300,000 of the bank balance. All remaining deposits were classified as Category 3.

Investment earnings of \$93,296 earned by other funds except the Food Service Fund were credited to the General Fund as required by state statute.

**B. Cash with Fiscal Agents**

In addition to deposits, the District had cash with fiscal agents in the amount of \$66,703, the entire amount was insured by the FDIC.

**C. Investments**

The District's investments at June 30, 2002 were as follows:

	<u>Category 3</u>	<u>Fair Value</u>
Federal Home Loan Bank Notes	\$7,717,222	\$7,717,222
Federal Home Loan Mortgage Corporation Notes	10,946,283	10,946,283
Federal National Mortgage Association Notes	2,462,050	2,462,050
Total Investments	<u>\$21,125,555</u>	<u>\$21,125,555</u>

**NOTE 5 – 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, 2002, the reserve activity (cash-basis) was as follows:

	<u>Textbook Reserve</u>	<u>Capital Acquisition Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Set-aside Cash Balance as of June 30, 2001	(\$70,145)	\$0	\$53,018	(\$17,127)
Current Year Set-Aside Requirement	348,496	348,496	0	696,992
Reduction in Requirement Based on Revised Legislation	0	0	(53,018)	(53,018)
Qualifying Disbursements	<u>(434,441)</u>	<u>(353,387)</u>	<u>0</u>	<u>(787,828)</u>
Total	<u>(\$156,090)</u>	<u>(\$4,891)</u>	<u>\$0</u>	<u>(\$160,981)</u>
Cash Balance Carried Forward to FY 2003	<u>(\$156,090)</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$156,090)</u>
Amount Restricted for Budget Stabilization				<u>0</u>
Total Restricted Assets				<u>\$0</u>

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2002 were levied after October 1, 2001 on assessed values as of January 1, 2001, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last reappraisal was completed in 1996. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Tipp City Exempted Village School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed value upon which the fiscal year 2002 receipts were based are:

	2001 Second Half Collections	2002 First Half Collections
Agricultural/Residential and Other Real Estate	\$258,719,830	\$282,427,140
Public Utility Personal	15,266,640	8,810,400
Tangible Personal Property	49,182,090	56,247,510
Total Assessed Value	<u>\$323,168,560</u>	<u>\$347,485,050</u>
Tax rate per \$1,000 of assessed valuation	\$50.44	\$50.08

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2002 consisted of taxes, accounts, interest and intergovernmental receivables.

**NOTE 8 - FIXED ASSETS**

**A. General Fixed Assets**

Summary by category of changes in general fixed assets:

<u>Category</u>	<u>June 30, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2002</u>
Land	\$1,937,701	\$0	\$0	\$1,937,701
Buildings	6,338,433	0	0	6,338,433
Improvements Other than Buildings	558,741	0	0	558,741
Machinery and Equipment	2,504,857	304,113	(85,855)	2,723,115
Vehicles	1,222,374	99,578	(59,756)	1,262,196
Totals	<u>\$12,562,106</u>	<u>\$403,691</u>	<u>(\$145,611)</u>	<u>\$12,820,186</u>

**B. Proprietary Fixed Assets**

Summary by Category at June 30, 2002:

<u>Category</u>	<u>Historical Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Machinery and Equipment	\$288,663	(\$222,912)	\$65,751
Total Property, Plant and Equipment	<u>\$288,663</u>	<u>(\$222,912)</u>	<u>\$65,751</u>

**NOTE 9 - OPERATING TRANSFERS**

Following is a summary of operating transfers in and out for all funds for the fiscal year 2002:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Debt Service Fund:	\$7,030	\$20,471,423
Capital Projects Fund:		
Building Fund	20,464,393	0
Total All Funds	<u>\$20,471,423</u>	<u>\$20,471,423</u>

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

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

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

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

**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 2002, 5.46% was allocated to fund the pension benefit and 8.54% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 2002, 2001, and 2000 were \$343,104, \$332,712, and \$279,176, respectively, 59 percent has been contributed for fiscal year 2002, and 100 percent for fiscal years 2001 and 2000, \$142,170 representing the unpaid contributions for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligation account group.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. The portion of the 2002 employer contribution rate that was used to fund health care for the year 2002 was 8.54%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2002, the minimum pay has been established as \$12,400. The amount contributed to fund health care benefits, including the surcharge amounted to \$239,111.

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 50,000. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available) were \$161,439,934 and the target level was \$242.2 million. Net assets available for payment of benefits at June 30, 2001 was \$315.7 million.

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

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

**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)****B. State Teachers Retirement System of Ohio (STRS of Ohio)** (Continued)

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

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9.3%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. At June 30, 2002, 9.5% was allocated to fund the pension benefit and 4.5% to fund health care. The District's contributions to the STRS of Ohio for the years ending June 30, 2002, 2001, and 2000 were \$1,172,328, \$1,103,496, and \$1,050,709, respectively, 83 percent has been contributed for fiscal year 2002, and 100 percent for fiscal years 2001 and 2000, \$195,388 representing the unpaid contributions for fiscal year 2002, is recorded as a liability within the respective funds.

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

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to a Health Care Reserve Fund. For the fiscal year ended June 30, 2002, the board allocated employer contributions are equal to 4.5% of covered payroll to the Health Care Reserve Fund, which amounted to \$376,820 for the District. The balance of the Health Care Reserve Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, the net health care costs paid by STRS were \$300,772,000. There were 102,132 eligible benefit recipients.

**NOTE 11 - NOTES PAYABLE**

Notes Payable activity of the District for the year ended June 30, 2002, was as follows:

Note Payable		Balance			Balance
		June 30, 2001	Additions	Deletions	June 30, 2002
Bond Anticipation Note	4.88%	\$10,000,000	\$0	(\$10,000,000)	\$0
Bond Anticipation Note	3.75%	10,000,000	0	(10,000,000)	0
Bond Anticipation Note	2.13%	0	2,600,000	0	2,600,000
		<u>\$20,000,000</u>	<u>\$2,600,000</u>	<u>(\$20,000,000)</u>	<u>\$2,600,000</u>

**NOTE 12- COMPENSATED ABSENCES**

The District provides a liability for accumulated unpaid sick leave and vacation time benefits when earned by employees. Accrued employee benefits for governmental funds not currently due and payable at fiscal year end are recorded in the General Long-Term Obligations Account Group. At June 30, 2002, the total accumulated unpaid sick and vacation time recorded in the General Long-Term Obligations Account Group were:

	<u>Sick Leave</u>	<u>Vacation</u>	<u>Total</u>
Liability	\$1,747,596	\$94,777	\$1,842,373

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

**NOTE 13 - LONG-TERM OBLIGATIONS**

Long-term obligations of the District at June 30, 2002 were as follows:

		<u>Balance June 30, 2001</u>	<u>Issued (Retired)</u>	<u>Balance June 30, 2002</u>
<b>General Long-Term Debt:</b>				
(General Obligation Bond)				
School Building	5.08%	\$20,000,000	(\$270,000)	\$19,730,000
<b>Other General Long-Term Obligations:</b>				
Intergovernmental Payable		110,465	(154)	110,311
Compensated Absences		1,837,167	5,206	1,842,373
Total General Long-Term Obligations		<u>1,947,632</u>	<u>5,052</u>	<u>1,952,684</u>
Total General Long-Term Debt and Other General Long-Term Obligations		<u>\$21,947,632</u>	<u>(\$264,948)</u>	<u>\$21,682,684</u>

**A. Principal and Interest Requirements**

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2002 follows:

<u>Years</u>	<u>General Obligation Bond</u>	
	<u>Principal</u>	<u>Interest</u>
2003	\$445,000	\$940,995
2004	345,000	925,195
2005	365,000	910,995
2006	460,000	894,495
2007	475,000	875,795
2008-2012	2,775,000	4,563,076
2013-2017	4,520,000	3,211,813
2018-2022	5,825,000	1,886,125
2023-2025	4,520,000	350,500
Totals	<u>\$19,730,000</u>	<u>\$14,558,989</u>

**NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The District maintains two enterprise funds to account for the operation of Food Services and Uniform School Supply Sales. The key financial information for the fiscal year ended June 30, 2002 for these enterprise activities is as follows:

	Food Services	Uniform School Supply	Total
Operating Revenues	\$460,091	\$78,879	\$538,970
Depreciation Expense	9,705	0	9,705
Operating Loss	(152,580)	(13,480)	(166,060)
Net Loss	(5,275)	(13,480)	(18,755)
Property, Plant and Equipment:			
Additions	4,655	0	4,655
Deletions	(1,313)	0	(1,313)
Operating Grants	142,150	0	142,150
Total Assets	276,597	27,485	304,082
Net Working Capital	145,576	26,910	172,486
Total Equity	174,559	26,910	201,469

**NOTE 15 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2002 the District contracted with several different insurance providers for various insurance coverages, as follows:

Insurance Provider	Coverage	Deductible
Indiana Insurance Company	Fleet Insurance	\$500
Indiana Insurance Company	Buildings & Contents	\$500
Cincinnati Insurance Company	Boiler Insurance	\$1,000
Nationwide Insurance Company	School District Liability	\$0
Cincinnati Insurance Company	Employee Bond	\$0
Indiana Insurance Company	Builder's Risk	\$5,000

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

**NOTE 15 - RISK MANAGEMENT (Continued)**

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

**NOTE 16 - GRANTS**

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claim will not have a material adverse effect on the overall financial position of the District at June 30, 2002.

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

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

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2002, the School District paid \$1,751 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association at 150 East Sixth Street, Franklin, Ohio 45005.

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)**

Southwestern Ohio Educational Purchasing Cooperative (SOEPC) - SOEPC is a purchasing cooperative made up of nearly one hundred school districts in twelve counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment and supplies purchased by the SOEPC is held in trust for the member district. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2002, the school district paid \$7,632 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Cooperative, 1831 Harshman Road, Dayton, Ohio 45424.

Miami Valley Career Technology Center – The Miami Valley Career Technology 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 fifteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following city and/or exempted village school districts: Carlisle, Miamisburg, Milton-Union, Northmont, Vandalia, Versailles, Huber Heights, Eaton, Trotwood, Tipp City, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center, one is appointed from the Miami County Educational Service Center, one from the Darke County Educational Service Center, and one from the Preble County Educational Service Center. During fiscal year 2002, the School District paid \$200 to this organization. To obtain financial information, write to the Miami Valley Career Technology Center, Debbie Gossett, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

**NOTE 18 - RELATED ORGANIZATION**

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

**NOTE 19 – CONSTRUCTION COMMITMENTS**

As of June 30, 2002, the District had entered into a contract for construction of a new Tippecanoe High School. Details of the project at June 30, 2002 are as follows:

<u>Project</u>	<u>Amount Remaining to be Spent for Completion</u>	<u>Expected Date of Completion</u>
Tippecanoe High School	\$17,414,935	December 2003

**NOTE 20 - CONTINGENCIES**

**A. Litigation**

The District is currently a defendant in a lawsuit involving a former teacher who feels her employment was unfairly terminated.

**B. State School Funding**

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.

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 retroactive to July 1, 2001. In November 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issues his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

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

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b><u>U.S. Department of Agriculture</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$46,421		\$52,139
National School Lunch Program	LL-P4 01 & 02	10.555	\$71,286		\$71,286	
Total U.S. Department of Agriculture - Nutrition Cluster			71,286	46,421	71,286	52,139
<b><u>U.S. Department of Education</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	6B-SF 01 & 02	84.027	156,856		97,795	
Special Education Preschool Grant	Not Available	84.173	4,680		4,928	
Total Special Education Cluster			161,536		102,723	
Grants to Local Educational Agencies	C1-S1 01 & 02	84.010	70,932		67,192	
Innovative Educational Program Strategies	C2-S1 99 - 02	84.298	35,768		36,268	
Eisenhower Professional Development Grant	MS-S1 00 - 02	84.281	14,935		12,181	
Drug-Free Schools Grant	DR-S1 00 - 02	84.186	16,044		10,235	
Class Size Reductin Subsidy	CR-S1 01 & 02	84.340	8,795		24,305	
IDEA	AT-S1 02	84.352A	8,014		8,014	
Total Department of Education			316,024		260,918	
<b><u>U.S. Department of Health and Human Services</u></b>						
<i>Passed through Montgomery County Educational Service Center</i>						
Medicaid	N/A	93.778	3,081		3,081	
<b>Total Federal Assistance</b>			<b>\$390,391</b>	<b>\$46,421</b>	<b>\$335,285</b>	<b>\$52,139</b>

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

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – NUTRITION CLUSTER**

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, 2002, the District had no significant food commodities in inventory.

**NOTE C- MATCHING REQUIREMENTS**

Certain federal programs require that the District contribute non-federal funds (matching funds) to support the federally-funded programs. The District has complied with the matching requirements. The expenditure of non-federal funds is not included on the Schedule.

**This page intentionally left blank.**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza  
130 West Second Street  
Suite 2040  
Dayton, Ohio 45402  
Telephone 937-285-6677  
800-443-9274  
Facsimile 937-285-6688  
www.auditor.state.oh.us

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

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

To the Board of Education:

We have audited the financial statements of Tipp City Exempted Village School District, Miami County (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated November 22, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 22, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 22, 2002.

Tipp City Exempted Village School District  
Miami County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

**Jim Petro**  
Auditor of State

November 22, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza  
130 West Second Street  
Suite 2040  
Dayton, Ohio 45402  
Telephone 937-285-6677  
800-443-9274  
Facsimile 937-285-6688  
www.auditor.state.oh.us

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

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

To the Board of Education:

**Compliance**

We have audited the compliance of Tipp City Exempted Village School District, Miami County, (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, 2002. 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 of America; 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 Tipp City Exempted Village School 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, 2002.

**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.

**Internal Control Over Compliance  
(Continued)**

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

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

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

**Jim Petro**  
Auditor of State

November 22, 2002

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Nutrition Cluster: Food Distribution Program CFDA # 10.550 National School Lunch Program CFDA # 10.555
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

No Findings related to the financial statements are required to be reported in accordance with GAGAS.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

No Finding or Questioned Costs reported for federal awards.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 §.315 (b)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Finding Number	Finding Summary	Fully <u>Corrected</u> ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <b><i>Explain:</i></b>
2001-10355-001	<b>Ohio Rev. Code Section 9.38</b> – Deposits not made within the District's policy	Partially Corrected	Should be fully corrected for 2003. A management letter comment was issued in FY2002.
2001-10355-002	District does not utilize district wide procedures for collecting and depositing classroom materials and fees revenue.	Fully Corrected	The District is now utilizing an accounts receivable system when collecting classroom materials and fees revenue.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT**

**MIAMI COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 23, 2002**