



**VANDALIA-BUTLER CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2001**



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

---

**STATE OF OHIO**



**VANDALIA-BUTLER CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Statement of Cash Receipts, Cash Disbursements, And Changes In Fund Cash Balances - All Governmental Fund Types and Similar Fiduciary Fund Type For The Year Ended June 30, 2001 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, And Changes In Fund Cash Balances - All Proprietary Fund Types and Similar Fiduciary Fund Type For The Year Ended June 30, 2001 .....	4
Combined Statement of Receipts - Budget and Actual For The Year Ended June 30, 2001 .....	5
Combined Statement of Disbursements, and Encumbrances Compared with Expenditure Authority - For The Year Ended June 30, 2001 .....	6
Notes To The Financial Statements .....	7
Schedule of Federal Awards Expenditures For The Year Ended June 30, 2001 .....	23
Notes To The Schedule of Federal Awards Expenditures .....	24
Report of Independent Accountant on Compliance and Internal Control Required by <i>Government Auditing Standards</i> .....	25
Report Independent Accountants on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 .....	27
Schedule of Findings .....	29
Schedule of Prior Audit Findings .....	31
Corrective Action Plan .....	32

**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

Vandalia-Butler City School District  
Montgomery County  
306 South Dixie Drive  
Vandalia, Ohio 45377-2189

To the Board of Education:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States 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.

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 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.

We performed our audit to form an opinion on the financial statements of the District taken as a whole. The 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 financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

**Jim Petro**  
Auditor of State

January 15, 2002

**VANDALIA BUTLER CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types				Fiduciary Fund	Total
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
<b>Cash Receipts</b>						
Local Taxes	\$17,492,120		\$495,816			\$17,987,936
Tuition and Fees	15,782					15,782
Transportation Fees	101,019					101,019
Earnings on Investment	857,281	\$7,409				864,690
Extracurricular Activities		546,621				546,621
Miscellaneous Receipts	88,535				\$16,749	105,284
Unrestricted Grants-in-Aid - State	5,509,334	932	47,739			5,558,005
Restricted Grants-in-Aid - State	29,832	333,002		\$87,745		450,579
Restricted Grants-in-Aid - Federal		876,963				876,963
<b>Total Cash Receipts</b>	<u>24,093,903</u>	<u>1,764,927</u>	<u>543,555</u>	<u>87,745</u>	<u>16,749</u>	<u>26,506,879</u>
<b>Cash Disbursements</b>						
Instruction:						
Regular	11,171,951	120,686				11,292,637
Special	1,682,686	307,608				1,990,294
Vocational	319,878					319,878
Other	1,191,387	4,000				1,195,387
Support Services:						
Pupils	1,154,321	58,312			3,167	1,215,800
Instructional Staff	606,197	289,939				896,136
Board of Education	82,928					82,928
Administration	1,715,655	68,085				1,783,740
Fiscal	617,545					617,545
Business	184,978					184,978
Operation and Maintenance	2,769,875	3,710				2,773,585
Pupil Transportation	1,121,368					1,121,368
Central	539,663	70,337		49,525	12,509	672,034
Community Services		136,961				136,961
Extracurricular Activities - Sports Oriented		485,899				485,899
Debt Service:						
Interest			440,813			440,813
<b>Total Cash Disbursements</b>	<u>23,158,432</u>	<u>1,545,537</u>	<u>440,813</u>	<u>49,525</u>	<u>15,676</u>	<u>25,209,983</u>
Excess of Receipts Over/ (Under) Disbursements	935,471	219,390	102,742	38,220	1,073	1,296,896
<b>Other Financing Sources (Uses)</b>						
Sale of Assets	4,605					4,605
Transfer - In		231,304				231,304
Advance - In	311,800	2,000				313,800
Refund of Prior Year Expenditure	3,509					3,509
Transfer - Out	(231,304)					(231,304)
Advance - Out	(2,000)	(311,800)				(313,800)
Refund of Prior Year Receipts		(221)				(221)
<b>Total Other Financing Sources</b>	<u>86,610</u>	<u>(78,717)</u>				<u>7,893</u>
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Financing Uses	1,022,081	140,673	102,742	38,220	1,073	1,304,789
Fund Cash Balance July 1, 2000	11,461,376	524,488	507,029	30,106	15,490	12,538,489
<b>Fund Cash Balance June 30, 2001</b>	<u>\$12,483,457</u>	<u>\$665,161</u>	<u>\$609,771</u>	<u>\$68,326</u>	<u>\$16,563</u>	<u>\$13,843,278</u>
Reserve for Encumbrances, June 30, 2001	<u>\$1,794,600</u>	<u>\$94,446</u>	<u>\$0</u>	<u>\$33,000</u>	<u>\$2,157</u>	<u>1,924,203</u>

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

**VANDALIA BUTLER CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Funds</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency Funds</u>	
<b>Operating Cash Receipts</b>				
Food Services	\$630,515			\$630,515
Classroom Materials & Fees	148,575			148,575
Extracurricular Activities			\$134,541	134,541
Miscellaneous	<u>277,682</u>			<u>277,682</u>
Total Operating receipts	<u>1,056,772</u>		<u>134,541</u>	<u>1,191,313</u>
<b>Operating Cash Disbursements</b>				
Personal Services	504,173			504,173
Benefits	144,910			144,910
Purchased Services	16,971			16,971
Supplies and Materials	477,837			477,837
Capital Outlay	7,305			7,305
Capital Outlay- Replacement	10,609			10,609
Other Objects	<u>13,877</u>		<u>132,790</u>	<u>146,667</u>
Total Operating Cash Disbursements	<u>1,175,682</u>		<u>132,790</u>	<u>1,308,472</u>
Operating Income/(Loss)	(118,910)		1,751	(117,159)
<b>Non-Operating Cash Receipts</b>				
Earnings on Investments	10,799			10,799
State Sources	4,608			4,608
Federal Sources	<u>102,842</u>			<u>102,842</u>
Total Non Operating Cash Receipts	<u>118,249</u>			<u>118,249</u>
Net Excess of Cash Receipts Over (under) Cash Disbursements	(661)		1,751	1,090
Fund Cash Balance, July 1, 2000	<u>370,867</u>	<u>443</u>	<u>83,574</u>	<u>454,884</u>
<b>Fund Cash Balance, June 30, 2001</b>	<u>\$370,206</u>	<u>\$443</u>	<u>\$85,325</u>	<u>\$455,974</u>
Reserve for Encumbrances, June 30, 2001	<u>\$18,114</u>	<u>\$0</u>	<u>\$5,967</u>	<u>\$24,081</u>

*The accompanying notes to the financial statements are an integral part of this statement.*

**VANDALIA BUTLER CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2001**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Governmental Funds:</b>			
General Fund	\$24,413,817	\$24,413,817	
Special Revenue Funds	1,998,231	1,998,231	
Debt Service Funds	543,555	543,555	
Capital Projects Fund	87,745	87,745	
<b>Proprietary Funds:</b>			
Enterprise Funds	1,175,022	1,175,022	
<b>Fiduciary Funds:</b>			
Trust and Agency	<u>151,290</u>	<u>151,290</u>	
<b>Total</b>	<u><u>\$28,369,660</u></u>	<u><u>\$28,369,660</u></u>	<u><u>\$0</u></u>

*The accompanying notes to the financial statements are an integral part of this statement.*

**VANDALIA BUTLER CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE YEAR ENDED JUNE 30, 2001**

<u>Fund Types/ Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>2001 Appropriations</u>	<u>Total</u>	<u>Actual 2001 Disbursements</u>	<u>Encumbrances Outstanding At 6/30/01</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Governmental Funds:</b>							
General Fund	\$2,122,725	\$23,826,310	\$25,949,035	\$23,391,736	\$1,794,600	\$25,186,336	\$762,699
Special Revenue Funds	174,233	2,140,585	2,314,818	1,857,558	94,446	1,952,004	362,814
Debt Service Funds		440,813	440,813	440,813		440,813	
Capital Projects Fund		102,851	102,851	49,525	33,000	82,525	20,326
<b>Proprietary Funds:</b>							
Enterprise Funds	16,765	1,241,662	1,258,427	1,175,682	18,114	1,193,796	64,631
Internal Service Fund		442	442				442
<b>Fiduciary Funds:</b>							
Trust and Agency	12,171	210,372	222,543	148,466	8,124	156,590	65,953
<b>Total</b>	<u>\$2,325,894</u>	<u>\$27,963,035</u>	<u>\$30,288,929</u>	<u>\$27,063,780</u>	<u>\$1,948,284</u>	<u>\$29,012,064</u>	<u>\$1,276,865</u>

*The accompanying notes to the financial statements are an integral part of this statement.*

**VANDALIA-BUTLER CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

The District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the District's nine instructional/support facilities staffed by 183 noncertified and 238 certificated full time teaching personnel who provide services to 3,565 students and other community members.

**B. Reporting Entity**

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

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

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

The following entities which perform activities within the District boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

**City of Vandalia** - The city government of Vandalia is a separate body politic and corporate. A mayor and council are elected independent of any District relationships and administer the provision of traditional city services. Council acts as the taxing and budgeting authority for city services.

**VANDALIA-BUTLER CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Butler Township** - The township government is also a separate body politic and corporate. A three member Board of Trustees are elected independent of any District relationships and administer the provision of traditional township services. The Trustees acts as the taxing and budgeting authority for Township services.

**Parent Teacher Association** - The District is not involved in the budgeting or management and is not responsible for any debt and has no influence over the organization.

The District is associated with the Southwestern Ohio Education Purchasing Cooperative the Miami Valley Career Technical Center, and the Southwestern Ohio Instructional Technology Association, which are defined as jointly governed organizations. These organizations are discussed in Note 10 to the financial statements.

**C. Basis of Accounting**

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles, the District chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Failing to follow generally accepted accounting principles is a condition sufficient for the Ohio Department of Education to place the District in a Fiscal Caution Status.

**D. Cash and Investments**

Certificates of deposit are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

Investments are stated at cost which approximates market value. Investment earnings are allocated as authorized by State statute based upon District policy.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**E. Fund Accounting**

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

**VANDALIA-BUTLER CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. Governmental Fund Types**

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

**General Fund**

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

**Special Revenue Funds**

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

**Debt Service Funds**

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

**Capital Projects Fund**

Capital projects fund 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).

**2. Proprietary Fund Types:**

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

**Enterprise Funds**

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

**Internal Service Fund**

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

**VANDALIA-BUTLER CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Fiduciary Fund Types:**

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

**F. Budgetary Process**

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

**1. Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 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 express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

**2. Estimated Resources**

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

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

**VANDALIA-BUTLER CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Appropriations**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control for general fund only. All other funds are budgeted at the fund level.

Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriations or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted. The budget figures which appear on the Combined Statements of Disbursements and Encumbrances Compared with Expenditure Authority represent the final appropriation amounts, including all supplemental appropriations.

Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

**4. Encumbrances**

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

**5. Lapsing of Appropriations**

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

**G. Cash and Investments**

To improve cash management, all cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through District records. Each fund type's portion of this pool are stated at cost which approximates market value. Investment earnings are allocated by State statute based upon District policy.

**VANDALIA-BUTLER CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Intergovernmental Receipts**

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

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

**Entitlements**

**General Fund**

- State Foundation Program
- School Bus Purchase
- State Property Tax Relief

**Non-Reimbursable Grants**

**Special Revenue Funds**

- Title VIB
- Title II
- Vocational Education
- Title I
- Title VI
- Title VI-R
- Educational Management Information System
- Adult Education

**Capital Projects Funds**

- School Net

**Reimbursable Grants**

**General Fund**

- Driver Education

**Proprietary Funds**

- National School Breakfast Program
- National School Lunch Program
- Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 26 percent of governmental fund revenue during the 2001 fiscal year.

**VANDALIA-BUTLER CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Interfund Transactions**

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

**J. Property, Plant and Equipment**

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

**K. Unpaid Vacation and Sick Leave**

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

**L. Total Columns on Financial Statements**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

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

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

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

**VANDALIA-BUTLER CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2001  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

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

Interim monies may be invested in the following obligations:

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

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

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

**VANDALIA-BUTLER CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2001  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

During fiscal year 2001, the District's investments were limited to Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Bonds, Federal National Mortgage Association Bonds, Federal Home Loan Mortgage Bank Notes and STAR Ohio. During the fiscal year, all investments of the District had a maturity of two years or less.

At fiscal year end, the District had \$7,675 in undeposited cash on hand which is included on the financial statements of the District.

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

**A. Deposits**

At fiscal year end, the carrying amount of the District's deposits was \$8,833,445 and the bank balance was \$8,893,235. \$2,657,260 of the bank balance was covered by federal depository insurance, and \$6,235,975 was collateralized by the financial institution's public entity deposit pool. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

**B. Investments**

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

The District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<b>Category 2</b>	<b>Category 3</b>	<b>Carrying Value</b>	<b>Market Value</b>
Federal Home Loan Mortgage	\$96,215	\$0	\$96,215	\$96,840
Federal Home Loan Banks	672,861	0	672,861	684,859
Repurchase Agreement	0	1,423,767	1,423,767	1,423,767
FNMA	200,000	0	200,000	200,308
Federal National Mortgage Association Medium	249,387	0	249,387	250,679
Federal Home Loan Mortgage Corporation Bonds	0	1,455,148	1,455,148	1,482,610
STAR Ohio	0	0	1,360,754	1,360,754
<b>Totals</b>	<b><u>\$1,218,463</u></b>	<b><u>\$2,878,915</u></b>	<b><u>\$5,458,132</u></b>	<b><u>\$5,499,817</u></b>

**VANDALIA-BUTLER CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2001  
(Continued)**

**3. PROPERTY TAXES**

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

Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value. The assessed values upon which the fiscal year 2001 taxes were collected are:

	<b>2000 Second- Half Collections</b>		<b>2001 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/ Residential and Other Real Estate	\$471,841,870	78%	\$479,843,510	78%
Public Utility Personal	23,133,100	4%	21,562,520	3%
Tangible Personal Property	109,860,144	18%	115,030,410	19%
<b>Total</b>	<b>\$604,835,114</b>	<b>100%</b>	<b>\$616,436,440</b>	<b>100%</b>
Tax rate per \$1,000 of assessed valuation	\$45.06		\$44.86	

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

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

**4. RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2001 the District contracted with Indiana Insurance Company general liability insurance. There is a \$1,000 deductible with a one hundred percent blanket, all risk policy. Indiana Insurance Company covers the building, boiler and machinery with a \$1,000 deductible and a \$61,314,861 limit.

**VANDALIA-BUTLER CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2001  
(Continued)**

**4. RISK MANAGEMENT (Continued)**

Professional liability is protected by Nationwide Agribusiness Insurance Company with a \$1,000,000 single occurrence limit and \$5,000,000 aggregate and no deductible. Vehicles are covered by Nationwide Agribusiness Insurance Company and hold a \$100 deductible for comprehensive and collision. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past five years. There have been no significant reductions in insurance coverage from last year.

**5. WORKERS' COMPENSATION**

For fiscal year 2001 the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. 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 Districts is calculated as one experience and a common premium rate is applied to all 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 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 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.

**6. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. 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 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, currently 14 percent. The contribution rates 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 required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$479,616, \$412,854, and \$464,567 respectively; 100 percent of the required contributions has been contributed for fiscal years 2000 and 1999. The District's unpaid portion for fiscal year 2001 was \$239,808.

**VANDALIA-BUTLER CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2001  
(Continued)**

**6. DEFINED BENEFIT PENSION PLANS (Continued)**

**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 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$1,715,808, \$1,561,284, and \$1,568,039, respectively; 100 percent of the required contributions has been contributed for fiscal years 2000 and 1999. The District's unpaid portion for fiscal year 2001 was \$294,520.

**C. Social Security System**

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

**7. POST EMPLOYMENT BENEFITS**

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

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, 2001 the STRS board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund.

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

**VANDALIA-BUTLER CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2001  
(Continued)**

**7. POST EMPLOYMENT BENEFITS (Continued)**

For this fiscal year, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase from 8.5 percent for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay 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 150 percent of annual health care expenses. Expense for health care at June 30, 2000 (the latest information available) were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS had approximately 51,000 participants currently receiving health care benefits.

**8. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who are not on a twelve month contract do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to and not to exceed 255 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 53.5 paid days for certified employees. Classified employees receive twenty five(25%) of accrued sick with no maximum paid days.

**B. Insurance Benefits**

The District provides life insurance and accidental death and dismemberment insurance to most employees through the Educational Employees Life Insurance Trust. Administrators receive coverage in the amount of their salary rounded to the nearest \$1,000. The Treasurer and Superintendent receives coverage twice their salary. Coverage in the amount of \$30,000 is provided for all certified and noncertified employees. Part time employees are covered for \$15,000.

**9. LONG TERM OBLIGATIONS**

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

	<b>Principal Outstanding 7/1/00</b>	<b>Additions</b>	<b>Deductions</b>	<b>Principal Outstanding 6/30/01</b>
General Obligation Bonds:				
School Improvement Bonds 9.75%	<u>\$2,000,000</u>	<u>\$ 0</u>	<u>\$250,000</u>	<u>\$1,750,000</u>
Total General Long-Term Obligations	<u>\$2,000,000</u>	<u>\$0</u>	<u>\$250,000</u>	<u>\$1,750,000</u>

**VANDALIA-BUTLER CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2001  
(Continued)**

**9. LONG TERM OBLIGATIONS (Continued)**

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

The District's voted legal debt margin was \$ 53,741,862 with an unvoted debt margin of \$6,164,364 at June 30, 2001. Principal and interest requirements to retire long term debt obligation outstanding at June 30, 2001, are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2002	250,000	158,437	408,437
2003	250,000	134,063	384,063
2004	250,000	109,687	359,687
2005	250,000	85,313	335,313
2006	250,000	60,938	310,938
2007-2008	500,000	48,750	548,750
Total	<u>\$1,750,000</u>	<u>\$597,188</u>	<u>\$2,347,188</u>

**10. JOINTLY GOVERNED ORGANIZATIONS**

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. 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 2001, the District paid \$1,683 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Cooperative, Robert Brown, who serves as Director, 1831 Harshman Road, Dayton, Ohio 45424.

**Southwestern Ohio Instructional Technology Association** - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation 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 within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. All Superintendents except for those from educational service centers vote on the representatives after nominating committee nominates individuals to run.

**VANDALIA-BUTLER CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2001  
(Continued)**

**10. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

One at-large non-public representative is elected by the non-public school SOITA members in the State assigned SOITA service area. One at-large higher education representative is 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 2001, the District paid \$ 1,526 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, 150 East Sixth Street, Franklin, Ohio 45005.

**Miami Valley Career Technical Center** - The Miami Valley Career Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district's elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to The Miami Valley Career Technical Center at 6800 Hoke Road, Clayton, Ohio 45315.

**11. STATE SCHOOL FUNDING DECISION**

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

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

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of January 15, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school district. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

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

**VANDALIA-BUTLER CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2001  
(Continued)**

**12. CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is party to legal proceedings. The District's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the District.

**13. SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 2000	\$0	\$0	\$224,400	\$224,400
Current Year Set-aside Requirement	579,991	579,991	0	1,159,982
Reduction in Requirement Due To Revised Legislation	0	0	(224,400)	(224,400)
Qualifying Disbursements	<u>(885,367)</u>	<u>(1,747,803)</u>	<u>0</u>	<u>(2,633,170)</u>
Total	<u>(\$305,376)</u>	<u>(\$1,167,812)</u>	<u>\$0</u>	<u>(\$1,473,188)</u>
Cash Balance Carried Forward to FY 2002	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	

Although the School District had qualifying disbursements during the year that reduced the set-aside amounts for textbooks and capital acquisitions to below zero, the extra amount may not be used to reduce the set-aside requirement of future. The negative amounts for textbooks and capital acquisitions are therefore not presented as being carried forward to the next fiscal year. The budget stabilization reserve was transferred to the General Fund for facility repairs on June 26, 2001.

**VANDALIA BUTLER CITY SCHOOL DISTRICT  
MONGTOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. Department of Agriculture</b>						
(Passed through Ohio Department of Education)						
<b>Nutrition Cluster:</b>						
Food Distribution Program	N/A	10.550		\$42,725		\$41,086
National School Lunch Program	LL-P1-00	10.555	\$8,674		\$8,674	
	LL-P4-00		5,756		5,756	
	LL-P1-01		53,851		53,851	
	LL-P4-01		34,561		34,561	
Total National School Lunch Program			<u>102,842</u>		<u>102,842</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>102,842</u>	42,725	<u>102,842</u>	41,086
<b>U.S. Department of Health &amp; Human Services</b>						
(Passed through Montgomery Co. Educational Service Center)						
Medical Assistance Program - Title XIX	Not Available	93.778	2,177		2,177	
<b>U.S. Department of Education</b>						
(Passed through Ohio Department of Education)						
Title I - Education Consolidation Improvement Act	C1-S1-00	84.010	127,629		16,707	
	C1-S1-01		128,144		96,545	
Total Title I			<u>255,773</u>		<u>113,252</u>	
<b>Special Education Cluster:</b>						
Special Education Grant to State Title VI-B Flow Thru	6B-SF-99	84.027	134,249			
	6B-SF-00		224,020		224,020	
	6B-SF-01		157,929		48,088	
Total Title VI-B			<u>516,198</u>		<u>272,108</u>	
Preschool Susidy Flowthru	PG-S1-01	84.173	7,916			
Total Special Education Cluster			<u>524,114</u>		<u>272,108</u>	
Drug Free Schools Grant	DR-S1-01	84.186	4,312			
Goals 2000	G2-S4-99	84.276	(1,571)			
Eisenhower Professional Development Grant Title II Part B	MS-S1-99	84.281			10,646	
	MS-S1-00		4,083		4,214	
	MS-S1-01		9,663		1,943	
Total Eisenhower Professional Development Grant			<u>13,746</u>		<u>16,803</u>	
Innovating Education Program Strategies Grant	C2-S1-99	84.298	(221)			
	C2-S1-00		13,528		6,587	
	C2-S1-01		3,402		6,126	
Total Innovating Education Program Strategies Grant			<u>16,709</u>		<u>12,713</u>	
Title VI-R Class Size Reducation Program Grant	CR-S1-00	84.340	28,480		13,217	
	CR-S1-01		33,608		26,691	
Total Title VI-R Grant			<u>62,088</u>		<u>39,908</u>	
Total U.S. Department of Education			<u>875,170</u>		<u>454,784</u>	
<b>Total Federal Programs</b>			<u>\$980,189</u>	<u>\$42,725</u>	<u>\$559,803</u>	<u>\$41,086</u>

See accompanying notes to the federal schedule of awards expenditures.

**VANDALIA-BUTLER CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards receipts and expenditures (the schedule) is a summary of the activity of the District's federal awards programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - NATIONAL SCHOOL LUNCH PROGRAMS**

Federal funds received for the National School Lunch Program are commingled with state subsidy and local revenue from the sales of lunches. It was assumed that federal dollars were expended first.

**NOTE C - FOOD DISTRIBUTION**

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



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**

Vandalia-Butler City School District  
Montgomery County  
306 South Dixie Drive  
Vandalia, Ohio 45377-2189

To Board of Education:

We have audited the financial statements of the Vandalia-Butler City School District, Montgomery County (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated January 15, 2002, wherein we noted that the District has continued to follow the basis of accounting previously prescribed by the Auditor of State rather than generally accepted accounting principles, which is now required. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-10357-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 15, 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, were 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 January 15, 2002.

Vandalia-Butler City School District  
Montgomery 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 Financial Advisory Council, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

January 15, 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 EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Vandalia-Butler City School District  
Montgomery County  
306 South Dixie Drive  
Vandalia, Ohio 45377-2189

To the Board of Education:

**Compliance**

We have audited the compliance of Vandalia-Butler City School District, Montgomery 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, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 year ended June 30, 2001.

**Internal Control Over Compliance**

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

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

**Jim Petro**  
Auditor of State

January 15, 2002

**VANDALIA-BUTLER CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2001  
OMB CIRCULAR A-133 § .505**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

<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>	YES
<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>	Special Education Cluster: CFDA #84.027, 84.173
<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

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

**FINDING NUMBER 2001-10357-001**

**Material Noncompliance - Ohio Administrative Code**

Ohio Admin. Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepares its financial statements on the basis formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omits assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other legal administrative remedies may be taken against the District. Failing to follow generally accepted accounting principles is a condition sufficient for the Ohio Department of Education to place the District in a Fiscal Caution Status. This status requires the District to submit a corrective action plan to the Department. The Auditor of State is referring this report to the Ohio Department of Education.

**VANDALIA-BUTLER CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
FOR THE YEAR ENDED JUNE 30, 2001**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected</u></b>	<b><u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</u></b>
2000-10357-001	Financial statements were not prepared in accordance with Generally Accepted Accounting Principles for 2001	No	The Vandalia-Butler Board of Education and Treasurer have discussed this in the past and continue to revisit complying with finding 2000-10357-001 in regards to filing an annual report in compliance with generally Accepted Accounting Principles. The conclusion in the past has been that compliance with this unfunded mandate provided little or no value to the school district or to the education of our children. Therefore, in the interest of saving hard earned tax dollars paid by our residents, the district has opted to pay the fine for noncompliance rather than paying the cost of compliance. The Board of Education, Treasurer, and the district's Financial Advisory Committee will revisit this issue for the 2002 fiscal year report.

VANDALIA-BUTLER CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY

CORRECTIVE ACTION PLAN  
*OMB CIRCULAR A -133 § .315 (c)*  
FOR THE YEAR ENDED JUNE 30, 2001

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2001-10357-001	Vandalia-Butler has hired a consultant and is currently in the process of preparing GAAP financial statements for the 2002 fiscal year report.	November 30, 2002	Jonathan Boyd Treasurer



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

**VANDALIA BUTLER CITY SCHOOL DISTRICT**  
**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 12, 2002**