



**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Twin Valley Community Local School District
Preble County
100 Education Drive
West Alexandria, Ohio 45381

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

January 31, 2000

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**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Assets and Other Debits				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$854,382	\$275,468	\$142,973	\$639,047
Cash and Cash Equivalents with Fiscal Agents	0	3,082	0	38,077
Receivables:				
Taxes	2,114,192	24,772	327,565	0
Accounts	1,944	3,505	0	0
Intergovernmental	21,231	19,825	0	0
Interfund	1,440	0	0	0
Due From Other Funds	157	480	0	0
Prepaid Items	27,641	2,496	0	0
Inventory of Supplies and Materials	22,827	16,849	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	64,281	0	0	0
Fixed Assets	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	\$3,108,095	\$346,477	\$470,538	\$677,124
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	\$40,389	\$1,120	\$0	\$0
Retainage Payable	0	0	0	38,077
Accrued Wages Payable	513,742	21,593	0	0
Intergovernmental Payable	116,539	6,653	0	0
Interfund Payable	0	1,440	0	0
Due to Students	0	0	0	0
Due to Other Funds	480	157	0	0
Deferred Revenue	1,989,843	25,940	307,971	0
Compensated Absences Payable	10,311	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	2,671,304	56,903	307,971	38,077
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	127,932	11,435	0	17,697
Reserved for Budget Stabilization	64,281	0	0	0
Reserved for Taxes	124,896	1,999	19,594	0
Reserved for Inventory of Supplies and Materials	22,827	16,849	0	0
Reserved for Endowments	0	0	0	0
Unreserved, Undesignated	96,855	259,291	142,973	621,350
Total Fund Equity and Other Credits	436,791	289,574	162,567	639,047
Total Liabilities, Fund Equity and Other Credits	\$3,108,095	\$346,477	\$470,538	\$677,124

See Accompanying Notes to the General Purpose Financial Statements

FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
TRUST AND AGENCY			
\$36,048	\$0	\$0	\$1,947,918
0	0	0	41,159
0	0	0	2,466,529
173	0	0	5,622
0	0	0	41,056
0	0	0	1,440
0	0	0	637
0	0	0	30,137
0	0	0	39,676
0	0	0	64,281
0	19,795,376	0	19,795,376
0	0	162,567	162,567
0	0	4,113,526	4,113,526
<u>\$36,221</u>	<u>\$19,795,376</u>	<u>\$4,276,093</u>	<u>\$28,709,924</u>
\$0	\$0	\$0	\$41,509
0	0	0	38,077
0	0	0	535,335
0	0	63,095	186,287
0	0	0	1,440
23,858	0	0	23,858
0	0	0	637
0	0	0	2,323,754
0	0	242,998	253,309
0	0	3,970,000	3,970,000
<u>23,858</u>	<u>0</u>	<u>4,276,093</u>	<u>7,374,206</u>
0	19,795,376	0	19,795,376
0	0	0	157,064
0	0	0	64,281
0	0	0	146,489
0	0	0	39,676
5,329	0	0	5,329
7,034	0	0	1,127,503
<u>12,363</u>	<u>19,795,376</u>	<u>0</u>	<u>21,335,718</u>
<u>\$36,221</u>	<u>\$19,795,376</u>	<u>\$4,276,093</u>	<u>\$28,709,924</u>

TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE	TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST	
Revenues:						
Taxes	\$1,939,992	\$32,042	\$323,391	\$0	\$0	\$2,295,425
Intergovernmental	3,701,914	605,357	35,378	110,261	0	4,452,910
Interest	74,887	469	0	38,730	185	114,271
Tuition and Fees	11,826	39,363	0	0	0	51,189
Rent	13,726	0	0	0	0	13,726
Extracurricular Activities	0	100,536	0	0	0	100,536
Miscellaneous	61,393	310	0	0	0	61,703
Gifts and Donations	0	725	0	0	1,700	2,425
Total Revenues	<u>5,803,738</u>	<u>778,802</u>	<u>358,769</u>	<u>148,991</u>	<u>1,885</u>	<u>7,092,185</u>
Expenditures:						
Current:						
Instruction:						
Regular	2,640,742	52,615	0	0	0	2,693,357
Special	384,017	170,892	0	0	0	554,909
Vocational	280,465	4,344	0	0	0	284,809
Support Services:						
Pupils	179,620	13,723	0	0	3,500	196,843
Instructional Staff	235,979	17,589	0	6,757	0	260,325
Board of Education	107,243	0	0	0	0	107,243
Administration	658,582	789	7,978	0	0	667,349
Fiscal	116,625	0	0	0	0	116,625
Operation and Maintenance of Plant	655,006	16,556	0	0	0	671,562
Pupil Transportation	355,998	10,397	0	0	0	366,395
Central	34,272	5,000	0	0	0	39,272
Operation of Non-Instructional Services	0	350,301	0	0	0	350,301
Extracurricular Activities	119,117	97,887	0	0	0	217,004
Capital Outlay	4,577	0	0	247,313	0	251,890
Debt Service:						
Principal Retirement	0	0	80,000	149,486	0	229,486
Interest and Fiscal Charges	0	0	247,067	0	0	247,067
Total Expenditures	<u>5,772,243</u>	<u>740,093</u>	<u>335,045</u>	<u>403,556</u>	<u>3,500</u>	<u>7,254,437</u>
Excess of Revenues Over (Under) Expenditures	31,495	38,709	23,724	(254,565)	(1,615)	(162,252)
Other Financing Source:						
Proceeds from Sale of Fixed Assets	1,566	0	0	304	0	1,870
Excess of Revenues and Other Financing Source Over (Under) Expenditures	33,061	38,709	23,724	(254,261)	(1,615)	(160,382)
Fund Balances at Beginning of Year	418,796	246,240	138,843	893,308	8,649	1,705,836
Increase (Decrease) in Reserve for Inventory	(15,066)	4,625	0	0	0	(10,441)
Fund Balances at End of Year	<u>\$436,791</u>	<u>\$289,574</u>	<u>\$162,567</u>	<u>\$639,047</u>	<u>\$7,034</u>	<u>\$1,535,013</u>

See Accompanying Notes to the General Purpose Financial Statements

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:						
Taxes	\$1,898,608	\$1,898,608	\$0	\$31,349	\$31,349	\$0
Intergovernmental	3,680,840	3,680,840	0	572,785	572,785	0
Interest	74,638	74,638	0	490	490	0
Tuition and Fees	11,807	11,807	0	39,408	39,408	0
Rent	12,467	12,467	0	0	0	0
Extracurricular Activities	0	0	0	103,663	103,663	0
Miscellaneous	63,946	63,946	0	310	310	0
Gifts and Donations	0	0	0	725	725	0
Total Revenues	<u>5,742,306</u>	<u>5,742,306</u>	<u>0</u>	<u>748,730</u>	<u>748,730</u>	<u>0</u>
Expenditures:						
Current:						
Instruction:						
Regular	2,625,420	2,625,420	0	54,635	54,635	0
Special	383,862	383,862	0	244,330	173,596	70,734
Vocational	277,565	277,565	0	4,653	4,653	0
Other	18,823	18,823	0	0	0	0
Support Services:						
Pupils	179,460	179,460	0	7,295	6,987	308
Instructional Staff	234,133	234,133	0	23,433	23,433	0
Board of Education	119,467	119,467	0	0	0	0
Administration	645,126	645,126	0	789	789	0
Fiscal	119,089	119,089	0	0	0	0
Operation and Maintenance of Plant	674,837	674,837	0	24,922	24,922	0
Pupil Transportation	427,675	427,675	0	11,837	11,837	0
Central	34,424	34,424	0	5,000	5,000	0
Operation of Non-Instructional Services	0	0	0	361,929	361,929	0
Extracurricular Activities	120,172	120,172	0	106,170	106,170	0
Capital Outlay	4,577	4,577	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	<u>5,864,630</u>	<u>5,864,630</u>	<u>0</u>	<u>844,993</u>	<u>773,951</u>	<u>71,042</u>
Excess of Revenues Over (Under) Expenditures	<u>(122,324)</u>	<u>(122,324)</u>	<u>0</u>	<u>(96,263)</u>	<u>(25,221)</u>	<u>71,042</u>
Other Financing Sources (Uses):						
Refund of Prior Year Expenditures	17,123	17,123	0	0	0	0
Advances In	2,740	2,740	0	0	0	0
Advances Out	0	0	0	0	0	0
Proceeds From Sale of Fixed Assets	1,566	1,566	0	0	0	0
Other Financing Sources	596	596	0	0	0	0
Total Other Financing Sources (Uses)	<u>22,025</u>	<u>22,025</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(100,299)</u>	<u>(100,299)</u>	<u>0</u>	<u>(96,263)</u>	<u>(25,221)</u>	<u>71,042</u>
Fund Balances at Beginning of Year	777,165	777,165	0	250,865	250,865	0
Prior Year Encumbrances Appropriated	89,096	89,096	0	34,423	34,423	0
Fund Balances at End of Year	<u>\$765,962</u>	<u>\$765,962</u>	<u>\$0</u>	<u>\$189,025</u>	<u>\$260,067</u>	<u>\$71,042</u>

See Accompanying Notes to the General Purpose Financial Statements

(Continued)

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
 (Continued)**

	DEBT SERVICE FUND			CAPITAL PROJECTS FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:						
Taxes	\$317,435	\$317,435	\$0	\$0	\$0	\$0
Intergovernmental	35,378	35,378	0	111,376	111,376	0
Interest	0	0	0	40,750	40,750	0
Tuition and Fees	0	0	0	0	0	0
Rent	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Gifts and Donations	0	0	0	420	420	0
Total Revenues	<u>352,813</u>	<u>352,813</u>	<u>0</u>	<u>152,546</u>	<u>152,546</u>	<u>0</u>
Expenditures:						
Current:						
Instruction:						
Regular	0	0	0	0	0	0
Special	0	0	0	0	0	0
Vocational	0	0	0	0	0	0
Other	0	0	0	0	0	0
Support Services:						
Pupils	0	0	0	0	0	0
Instructional Staff	0	0	0	162,052	156,783	5,269
Board of Education	0	0	0	0	0	0
Administration	7,978	7,978	0	0	0	0
Fiscal	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	0	0	0
Operation of Non-Instructional Services	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Capital Outlay	0	0	0	300,708	300,708	0
Debt Service:						
Principal Retirement	80,000	80,000	0	0	0	0
Interest and Fiscal Charges	247,067	247,067	0	0	0	0
Total Expenditures	<u>335,045</u>	<u>335,045</u>	<u>0</u>	<u>462,760</u>	<u>457,491</u>	<u>5,269</u>
Excess of Revenues Over (Under) Expenditures	<u>17,768</u>	<u>17,768</u>	<u>0</u>	<u>(310,214)</u>	<u>(304,945)</u>	<u>5,269</u>
Other Financing Sources (Uses):						
Refund of Prior Year Expenditures	0	0	0	0	0	0
Advances In	0	0	0	0	0	0
Advances Out	(2,740)	(2,740)	0	0	0	0
Proceeds From Sale of Fixed Assets	0	0	0	304	304	0
Other Financing Sources	0	0	0	0	0	0
Total Other Financing Sources (Uses)	<u>(2,740)</u>	<u>(2,740)</u>	<u>0</u>	<u>304</u>	<u>304</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	15,028	15,028	0	(309,910)	(304,641)	5,269
Fund Balances at Beginning of Year	127,945	127,945	0	680,846	680,846	0
Prior Year Encumbrances Appropriated	0	0	0	240,631	240,631	0
Fund Balances at End of Year	<u>\$142,973</u>	<u>\$142,973</u>	<u>\$0</u>	<u>\$611,567</u>	<u>\$616,836</u>	<u>\$5,269</u>

<u>EXPENDABLE TRUST FUNDS</u>		
<u>REVISED</u>		<u>VARIANCE</u>
<u>BUDGET</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
		<u>(UNFAVORABLE)</u>
\$0	\$0	\$0
0	0	0
164	164	0
0	0	0
0	0	0
0	0	0
0	0	0
1,700	1,700	0
<u>1,864</u>	<u>1,864</u>	<u>0</u>
0	0	0
0	0	0
0	0	0
0	0	0
3,500	3,500	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
<u>0</u>	<u>0</u>	<u>0</u>
<u>3,500</u>	<u>3,500</u>	<u>0</u>
<u>(1,636)</u>	<u>(1,636)</u>	<u>0</u>
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
<u>0</u>	<u>0</u>	<u>0</u>
(1,636)	(1,636)	0
7,236	7,236	0
0	0	0
<u>\$5,600</u>	<u>\$5,600</u>	<u>\$0</u>

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCE
NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Operating Revenues:	
Interest	\$253
Total Operating Revenues	253
 Operating Expenses:	
Other	250
Total Operating Expenses	250
 Net Income	 3
 Fund Balance at Beginning of Year	 5,326
Fund Balance at End of Year	\$5,329

See Accompanying Notes to the General Purpose Financial Statements

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Revenues:			
Interest	<u>\$253</u>	<u>\$253</u>	<u>\$0</u>
Total Operating Revenues	<u>253</u>	<u>253</u>	<u>0</u>
Expenses:			
Other	<u>250</u>	<u>250</u>	<u>0</u>
Total Operating Expenses	<u>250</u>	<u>250</u>	<u>0</u>
Excess of Revenues Over Expenses	3	3	0
Fund Equity at Beginning of Year	<u>5,326</u>	<u>5,326</u>	<u>0</u>
Fund Equity at End of Year	<u>\$5,329</u>	<u>\$5,329</u>	<u>\$0</u>

See Accompanying Notes to the General Purpose Financial Statements

TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
Cash Flows from Operating Activities:	
Other Operating Expenses	(250)
Net Cash Used In Operating Activities	<u>(250)</u>
 Cash Flows from Investing Activities:	
Interest	253
Net Cash Provided By Investing Activities	<u>253</u>
 Net Increase in Cash and Cash Equivalents	 3
 Cash and Cash Equivalents Beginning of Year	 <u>5,326</u>
 Cash and Cash Equivalents End of Year	 <u><u>\$5,329</u></u>
 Reconciliation of Operating Income to Net	
<u>Cash Used In Operating Activities:</u>	
Operating Income	\$3
 Adjustments to Reconcile Operating Income to	
Net Cash Used In Operating Activities:	
Interest in Nonexpendable Trust Fund	(253)
Net Cash Used in Operating Activities	<u><u>(\$250)</u></u>
 Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Fund to Balance Sheet	
Cash and Cash Equivalents-All Fiduciary Funds	\$36,048
Cash and Cash Equivalents-Expendable Trust and Agency Funds	<u>(30,719)</u>
Cash and Cash Equivalents-Nonexpendable Trust Funds	<u><u>\$5,329</u></u>

See Accompanying Notes to the General Purpose Financial Statements

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The West Alexandria School District was formed in the early 1800's. On December 30, 1963, the Preble County Board of Education consolidated all the schools located in Lanier, Harrison, and Twin Townships as Twin Valley School District. On June 1, 1983, the Preble County Board of Education split the Twin Valley School District resulting in the formation of the present Twin Valley Community Local School District.

Twin Valley Community Local School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution of the State of Ohio. The School 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 School District's one instructional and administrative facility staffed by 46 non-certificated employees, 71 certificated full-time teaching personnel and 4 administrative employees who provide services to 1,143 students and other community members.

The reporting entity is composed of the primary government. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Twin Valley Community Local School District, this includes general operations, food service and student related activities of the School District.

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

The School District is associated with three jointly governed organizations, one insurance purchasing pool and one shared risk pool. These organizations include the Southwest Ohio Computer Association (SWOCA), the Southwestern Ohio Educational Purchasing Council (SOEPC), the Southwestern Ohio Instructional Technology Association (SOITA), the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), and the Preble County Schools Regional Council of Governments (COG), respectively. These organizations are presented in Notes 15, 16, and 17 to the general-purpose financial statements.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

June 30, 1999

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental and fiduciary.

Governmental Fund Types:

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

General Fund - The general fund is the operating fund of the School 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 School 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 expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

June 30, 1999

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust, nonexpendable trust, and agency funds. Expendable trusts are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The School District's 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 those of general government, and between long-term obligations related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The nonexpendable trust funds' operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

June 30, 1999

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxes available for advance, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, which are intended to finance fiscal year 2000 operations, and delinquent property taxes whose availability is indeterminable, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the nonexpendable trust funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

C. 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 appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than the agency fund and Eisenhower Grant Special Revenue Fund, are legally required to be budgeted and appropriated. The Eisenhower grant and drug free schools special revenue funds' grant activity that is administered by the fiscal agent is not budgeted by the School District. The primary level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

June 30, 1999

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Preble County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education 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 School 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 School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999. Prior to year-end, the School District requested an amended certificate of estimated resources that reflected actual revenue for the fiscal year for all fund types.

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 is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, 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, four supplemental appropriations were legally enacted; however, none of these amendments were significant.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

June 30, 1999

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The budget figures which appear in the statements of budgetary comparisons 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 other than the agency fund, consistent with statutory provisions. Prior to year-end, the School District passed a resolution so that appropriations equaled expenditures in the general fund, debt service fund, expendable trust funds and nonexpendable trust funds.

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 non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

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 appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. The balance of the Eisenhower grant and drug free schools activity administered by the fiscal agent is presented on the combined balance sheet as "cash and cash equivalents with fiscal agent." This represents deposits held at the Preble County Educational Service Center.

Cash and cash equivalents that are held separately in escrow accounts at a financial institution for retainages and not held with the Treasurer are recorded in the balance sheet as "cash and cash equivalents with fiscal agent" and represent deposits.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

June 30, 1999

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During fiscal year 1999, the District's investments were limited to funds invested in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$74,887, which includes \$41,860 assigned from other funds. The special revenue funds, capital projects funds, expendable trust funds, and nonexpendable trust funds also received interest in the amounts of \$469, \$38,730, \$185, and \$253, respectively.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Inventory

Inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items are recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Assets acquired before December of 1995 are valued at estimated historical cost based on an appraisal performed in December of 1995 and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

June 30, 1999

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of the general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
School Bus Purchase Program
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Martha Holden Jennings
Career Development
Local Professional Development
Education Management Information Systems
Disadvantaged Pupil Impact Aid
Goals 2000 Intervention
Public School Preschool
Eisenhower
Title VI-B
Title I

Capital Projects Funds

School Net

Reimbursable Grants

General Fund

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

June 30, 1999

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Driver Education
Special Revenue Funds
National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 63 percent of governmental fund revenue during the 1999 fiscal year.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that the benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

J. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables."

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, capital leases, compensated absences and pension obligations that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Amounts paid more than sixty days after year end are considered not to have been paid with current available financial resources. General obligation bonds are reported as a liability of the general long-term obligations account group until due.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

June 30, 1999

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures 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.

M. Restricted Assets

Restricted assets in the general fund are cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent resources set-aside to create a reserve for budget stabilization. See Note 20 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

N. Fund Balance Reserves

The School District reserves those portions of fund equity are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, budget stabilization, taxes, inventory of supplies and materials and endowments.

The reserve for taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for endowments signifies the legal restrictions on the use of principal.

O. Estimates

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

P. Total Columns on General-purpose Financial Statements

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

June 30, 1999

(Continued)

NOTE 3 - ACCOUNTABILITY

At June 30, 1999, the preschool grant special revenue fund had a deficit fund balance of \$1,440. The deficit in this fund resulted from the application of generally accepted accounting principles. The general fund is liable for any deficit in this fund and provides operating transfers when cash is needed, rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Nonexpendable Trust Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. The School District does not budget for the activities of the Eisenhower grant and drug free schools administered by the fiscal agent who collects and holds the assets. However, the activities of the fiscal agent that pertain to Twin Valley Local School District are included in the special revenue funds for GAAP reporting purposes.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

June 30, 1999

(Continued)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Funds

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$33,061	\$38,709	\$23,724	(\$254,261)	(\$1,615)
Revenue Accruals	(43,713)	(30,072)	(5,956)	3,555	(21)
Expenditure Accruals	52,490	(21,560)	0	(36,238)	0
Prepays	4,087	2,496	0	0	0
Non Budgeted Funds	0	193	0	0	0
Advances In	2,740	0	0	0	0
Advances Out	0	0	(2,740)	0	0
Encumbrances	<u>(148,964)</u>	<u>(14,987)</u>	<u>0</u>	<u>(17,697)</u>	<u>0</u>
Budget Basis	<u><u>(\$100,299)</u></u>	<u><u>(\$25,221)</u></u>	<u><u>\$15,028</u></u>	<u><u>(\$304,641)</u></u>	<u><u>(\$1,636)</u></u>

For the nonexpendable trust funds, the GAAP basis was the same as the budget basis because there were no revenue or expense accruals; therefore, a table was not presented.

NOTE 5 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 School 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.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

June 30, 1999

(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Protection of School 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.

State Statute permits interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes debentures, or any other obligations or security 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); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

June 30, 1999

(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Investments in stripped principal or interest obligation, 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 School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of transfer from the custodian.

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."

The "cash and cash equivalents with fiscal agent" of \$3,082 shown in the special revenue funds is maintained with the Preble County Educational Service Center. GASB 3 disclosures regarding this amount can be obtained from their annual report.

Deposits: At year end, the carrying amount of the School District's deposits was \$1,421,841 and the bank balance was \$1,498,447. Of the bank balance:

1. \$241,139 was covered by federal depository insurance; and
2. \$1,257,308 was uninsured and uncollateralized as defined by GASB Statement 3. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements by the bank, could potentially subject the School District held to a successful claim by the FDIC.

Investments: The Government Accounting Standards Board has established categories to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School 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 School District's name. The District's only investment at the fiscal year end was STAR Ohio. This investment had a fair value of \$628,435. However, the investment in STAR Ohio was not classified by risk category because it was not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

June 30, 1999

(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
	<hr/>	<hr/>
GASB Statement 9	\$2,053,358	\$0
Cash Held with the Preble County Educational Service Center	(3,082)	0
Investments:		
STAR Ohio	(628,435)	628,435
	<hr/>	<hr/>
GASB Statement 3	<u>\$1,421,841</u>	<u>\$628,435</u>

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999, and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

June 30, 1999

(Continued)

NOTE 6 - PROPERTY TAXES (continued)

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later 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 semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$56,089,310	80.23%	\$57,062,560	80.30%
Public Utility	9,333,280	13.35	8,887,090	12.51
Tangible Personal Property	4,487,420	6.42	5,107,000	7.19
Total Assessed Value	\$69,910,010	100%	\$71,056,650	100%
Tax rate per \$1,000 of assessed valuation	\$47.00		\$46.58	

The School District receives property taxes from Preble County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$146,489 and is recognized as revenue. \$124,896 was available to the general fund, \$1,999 was available to the classroom facilities fund, and \$19,594 was available to the bond retirement fund.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

June 30, 1999

(Continued)

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999, consisted of taxes, accounts (billings for user charged services and student fees), interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
General Fund:	
Career Education Reimbursement	\$157
Handicapped Final Settlement	<u>21,074</u>
Total General Fund	<u>21,231</u>
Special Revenue Funds:	
Special Event 153	293
Title I Final Payment	19,337
State Track Meet Reimbursement	<u>195</u>
Total Special Revenue Funds	<u>19,825</u>
Total Intergovernmental Receivables - All Funds	<u><u>\$41,056</u></u>

NOTE 8 - FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 1999 follows:

<u>Asset Category</u>	<u>Balance at 07/01/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 06/30/99</u>
Land and Improvements	\$270,021	\$21,759	\$0	\$291,780
Buildings and Improvements	15,664,403	3,931	30,315	15,638,019
Furniture, Fixtures and Equipment	3,019,559	395,246	95,268	3,319,537
Vehicles	<u>546,040</u>	<u>0</u>	<u>0</u>	<u>546,040</u>
Total General Fixed Assets	<u><u>\$19,500,023</u></u>	<u><u>\$420,936</u></u>	<u><u>\$125,583</u></u>	<u><u>\$19,795,376</u></u>

There was no significant construction in progress at June 30, 1999.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

June 30, 1999

(Continued)

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

The School 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. During fiscal year 1999, the School District contracted with Nationwide Insurance for liability insurance, Erie Insurance Group for fleet insurance, and Westfield Companies for school building and contents.

Coverage provided by Nationwide Insurance is as follows:

General Liability	
Per occurrence	\$2,000,000
Total per year	5,000,000

Coverage provided by Erie Insurance Group is as follows:

School Bus Fleet insurance	
Per accident	1,000,000
Per individual	1,000,000

Coverage provided by Westfield Companies is as follows:

School building and contents (\$1,000 deductible)	19,040,030
---	------------

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

B. Workers' Compensation

For fiscal year 1999, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the 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 Comp Management provides administrative, cost control and actuarial services to the GRP.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

June 30, 1999

(Continued)

NOTE 9 - RISK MANAGEMENT (continued)

C. Employee Medical Benefits

For fiscal year 1999, the School District also participated in the Preble County Schools Regional Council of Governments (COG), a shared risk pool consisting of five local school districts and an educational service center (See Note 17). The School District pays monthly premiums to the COG for employee medical benefits. The COG is responsible for the management and operations of the program. Upon withdrawal from the COG, a participant is responsible for the payment of all COG liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. 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 School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$59,191, \$70,620 and \$66,437, respectively; 41.08 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$34,874 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available stand-alone financial report that includes financial statements and required

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

June 30, 1999

(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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.

For fiscal year ending June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$154,372 \$302,632 and \$336,893, respectively; 80.79 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$29,650 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

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, 1999, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$205,830 for fiscal year 1999.

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

June 30, 1999

(Continued)

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$64,130.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Certain classified employees earn ten to twenty days of vacation per fiscal year. Only teachers employed on twelve-month contracts are given twenty days of vacation each year; all other teachers do not earn vacation time. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. 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 a maximum of 185 days for classified employees and 195 days for certified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 45 days for classified employees and 48 days for certified employees.

B. Insurance Benefits

Dental insurance is provided by the School District to most employees through Advanced Benefit. The School District provides life insurance and accidental death and dismemberment insurance to most employees through Community Mutual Life.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

June 30, 1999

(Continued)

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

The School District entered into a capital lease for computer equipment during fiscal year 1997. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the combined financial statements for the governmental funds.

General fixed assets consisting of computer equipment have been capitalized in the general fixed assets account group in the amount of \$155,100 and the items under \$500, which are not included as fixed assets per the School District's threshold, as well as software and training which add up to \$328,120. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. All capital leases were paid off as of June 30, 1999.

NOTE 14 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the School District during fiscal year 1999 were as follows:

	Amount Outstanding 6/30/98	Additions	Deductions	Amount Outstanding 6/30/99
School Improvement Bond 1994 6.30%	\$4,050,000	\$0	\$80,000	\$3,970,000
Capital Lease	168,054	0	168,054	0
Intergovernmental Payable	55,523	63,095	55,523	63,095
Compensated Absences	284,539	0	41,541	242,998
Total General Long-Term Obligations	<u>\$4,558,116</u>	<u>\$63,095</u>	<u>\$345,118</u>	<u>\$4,276,093</u>

Twin Valley Community Schools School Improvement General Obligation Bonds

On July 1, 1994, Twin Valley Community Local School District issued \$4,285,000 in voted general obligation bonds for the purpose of the acquisition, construction, reconstruction and other improvements to the school building. The bonds were issued for a twenty-three year period with final maturity at June 1, 2017. The debt will be retired from the debt service fund.

During fiscal year 1999, the School District paid off the capital lease obligation, shown on the books at \$168,054 for \$149,486. The company granted the School District a discount of \$18,568. The capital lease obligation was paid from the school net capital projects fund.

Compensated absences will be paid from the fund from which the person is paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

June 30, 1999

(Continued)

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

The School District's overall legal debt margin was \$2,587,666 with an unvoted debt margin of \$71,057 at June 30, 1999. Principal and interest requirements to retire general obligation debt outstanding at June 30, 1999, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2000	\$90,000	\$242,295	\$332,295
2001	100,000	237,590	337,590
2002	110,000	232,258	342,258
2003	120,000	226,245	346,245
2004	135,000	219,420	354,420
2005-2017	<u>3,415,000</u>	<u>1,658,292</u>	<u>5,073,292</u>
Total	<u><u>\$3,970,000</u></u>	<u><u>\$2,816,100</u></u>	<u><u>\$6,786,100</u></u>

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

Southwest Ohio Computer Association - The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The School District paid SWOCA \$13,116 for services provided during the year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Southwestern Ohio Educational Purchasing Council - The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC). The Montgomery County Educational Service Center acts as fiscal agent for the group. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC 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 1999, the School District paid \$3,069 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Cooperative, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton 45424.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

June 30, 1999

(Continued)

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (continued)

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 the nomination committee nominates individuals to run. One at-large non-public representative will be elected by the non-public school SOITA members as 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 1999, the School District paid \$10,837 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

NOTE 16 - INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a fourteen member committee consisting of various GRP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 17 - PUBLIC ENTITY RISK POOL

Preble County Schools Regional Council of Governments - The Preble County Schools Regional Council of Governments (COG), a shared risk pool, was formed by five local school districts and the Preble County Educational Service Center. The COG is governed by an advisory committee consisting of each member's superintendent or designee from each participating school district. Premiums are paid on a monthly basis to the COG and their designated insurance company. The COG is responsible for the operation and maintenance of the program. If the premiums are insufficient to pay the program costs for the fiscal year, the COG may assess additional charges to all participants. The Preble County Educational Service Center serves as coordinator of the COG.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

June 30, 1999

(Continued)

NOTE 17 - PUBLIC ENTITY RISK POOL (continued)

Financial information can be obtained from Teresa Freeman, who serves as treasurer, at 101 E. Main Street, Eaton, Ohio 45320.

NOTE 18 - INTERFUND ACTIVITY

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

Fund Type/Fund	Interfund Receivable	Interfund Payable
General Fund	\$1,440	\$0
Special Revenue Fund:		
Preschool Grant	0	1,440
Total All Funds	\$1,440	\$1,440

Fund Type/Fund	Due From Other Funds	Due To Other Funds
General Fund	\$157	\$480
Special Revenue Fund:		
Athletic	480	0
Career Development	0	157
Total All Funds	\$637	\$637

NOTE 19 - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program" which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$3,433,528 school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

June 30, 1999

(Continued)

NOTE 19 - STATE SCHOOL FUNDING DECISION (continued)

of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

NOTE 20 - 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, 1998	\$0	\$0	\$20,370	\$20,370
Current Year Set-aside Requirement	87,822	87,822	43,911	219,555
Current Year Offsets	(15,790)	0	0	(15,790)
Qualifying Disbursements	(108,046)	(88,455)	0	(196,501)
Total	<u>(\$36,014)</u>	<u>(\$633)</u>	<u>\$64,281</u>	<u>\$27,634</u>
Cash Balance Carried Forward to FY 2000	<u>\$0</u>	<u>\$0</u>	<u>\$64,281</u>	<u>\$64,281</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amount for textbooks and capital acquisitions to below zero, the extra amount may not be used to reduce the set-aside requirement of future years. The negative amount for capital acquisitions is therefore not presented as being carried forward to the next fiscal year.

NOTE 21 - YEAR 2000 COMPLIANCE

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

June 30, 1999

(Continued)

NOTE 21 - YEAR 2000 COMPLIANCE (continued)

Twin Valley Local School District has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting the School District operations and has identified such systems as being financial reporting, payroll and employee benefits.

The School District uses the Ohio Education Computer Network (OECN) State Software for their budgetary, payroll, fixed asset inventory and education management information system (EMIS) accounting services. These services are provided by the Southwest Ohio Computer Association (SWOCA - see Note 15). OECN is responsible for remediating these systems.

Preble County collect property taxes for distribution to Twin Valley Local School District. Currently Preble County is in the assessment stage. Preble County is responsible for remediating the tax collection system. The District has a contingency plan to reasonably assure continued operation should the County tax collection and disbursement system not operate properly.

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the School District through EMIS. The State is responsible for remediating these systems.

The District's main banks for the processing of daily banking transactions are Eaton National Bank and Twin Valley Bank. As of January 11, 1999, per Eaton National Bank's Internet web page, the bank is in the process of assessing its hardware and software applications. As of December 22, 1998, per a letter from Twin Valley Bank, the bank is in the process of testing its hardware and software applications. The banks are responsible for remediating these systems.

Fifth Third Bank processess the electronic fund transfers for all the school using the SWOCA system. As of January 12, 1999, per Fifth Third's Internet web page, Fifth Third's objective is to have operating systems, applications and hardware tested to meet new processing standards by the Fall of 1999. The bank is responsible for remediating these systems.

To the best of management's knowledge and belief, as of January 31, 2000, the School District experienced no significant interruption of mission-critical operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties whom the School District does business may also experience Year 2000 readiness issues that are yet, unknown.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

June 30, 1999

(Continued)

NOTE 22 - CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally required 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 School District at June 30, 1999.

Litigation

The School District does not have any pending litigation.

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 1999

FEDERAL GRANTOR <i>Pass - Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program		10.550	\$0	\$25,227	\$0	\$24,733
National School Breakfast Program	05-PU-99	10.553	8,359	-	8,359	-
	05-PU-98		1,518	-	1,518	-
Total CFDA 10.553			<u>9,877</u>		<u>9,877</u>	
National School Lunch Program	04-PU-99	10.555	49,615	-	49,615	-
	03-PU-99		15,035	-	15,035	-
	04-PU-98		8,820	-	8,820	-
	03-PU-98		2,534	-	2,534	-
Total CFDA 10.555			<u>76,004</u>		<u>76,004</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>85,881</u>	<u>25,227</u>	<u>85,881</u>	<u>24,733</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF-99	84.027	39,996	-	39,996	-
Special Education - Preschool Grant	PG-S1-99	84.173	1,014	-	1,014	-
Special Education - Preschool Grant	PG-S1-98		0	-	1,440	-
Total CFDA 84.173			<u>1,014</u>		<u>2,454</u>	
Total Special Education Cluster			<u>41,010</u>	-	<u>42,450</u>	-
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-99	84.010	156,506	-	85,772	-
	C1-S1-98		0	-	52,382	-
Total CFDA 84.010			<u>156,506</u>		<u>138,154</u>	
Goals 2000	G2-S1-98	84.276	0	-	16,281	-
<i>Passed through the Miami Valley Career Technology Center</i>						
Carl Perkins/Vocational Education		84.048	1,312	-	1,043	-
Total Department of Education			<u>198,828</u>	-	<u>197,928</u>	-
Totals			<u>\$284,709</u>	<u>\$25,227</u>	<u>\$283,809</u>	<u>\$24,733</u>

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

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures is a summary of the activity of the District's federal award programs. The Schedule has been prepared on a cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.



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

Twin Valley Community Local School District
Preble County
100 Education Drive
West Alexandria, Ohio 45381

To the Board of Education:

We have audited the financial statements of the Twin Valley Community Local School District, Preble County, Ohio (the District) as of and for the fiscal year ended June 30, 1999, and have issued our report thereon dated January 31, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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 January 31, 2000.

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 we have reported to management of the District in a separate letter dated January 31, 2000.

Twin Valley Community Local School District
Preble 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, the Board of Education, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read 'Jim Petro', with a large, sweeping flourish at the end.

Jim Petro
Auditor of State

January 31, 2000



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

Twin Valley Community Local School District
Preble County
124 Bloomfield Street
Camden, Ohio 45311

To the Board of Education:

Compliance

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

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination 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 programs for the fiscal year ended June 30, 1999.

Internal Control Over Compliance

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

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

January 31, 2000

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster, CFDA #10.550; 10.553; 10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type B: all programs
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT

PREBLE 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 29, 2000**