VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000

JIM PETRO
AUDITOR OF STATE
STATE OF OHIO

VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Valley View Local School District
Montgomery County
64 Comstock Avenue
Germantown, Ohio 45327

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Valley View Local School District, Montgomery County, (the District), as of and for the year ended June 30, 2000, 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 Valley View Local School District, Montgomery County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

February 2, 2001

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VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000

	Governmental Fund Types		
	General	**Special Revenue**	**Capital Projects**
ASSETS AND OTHER DEBITS			
ASSETS:			
Equity in pooled cash, cash equivalents and investments	$1,019,618	$177,833	$920,812
Receivables (net of allowances of uncollectibles):			
Taxes - current & delinquent	4,333,000		
Accounts	653	993	
Accrued interest	12,873		
Interfund loan receivable	62,796		
Due from other governments	1,500	87,639	
Advances to other funds	8,468		
Prepayments	15,590		
Materials and supplies inventory	9,649		
Restricted assets:			
Equity in pooled cash and cash equivalents	178,623		
Property, plant and equipment (net of accumulated depreciation where applicable)			
OTHER DEBITS:			
Amount to be provided for retirement of General Long-Term Obligations			
Total Assets and Other Debits	$5,642,770	$266,465	$920,812
LIABILITIES, EQUITY AND OTHER CREDITS			
LIABILITIES:			
Accounts payable	$108,480	$14,150	$1,271
Accrued wages and benefits	905,474	20,662	
Compensated absences payable	57,526	51	
Pension obligation payable	156,125	17,417	
Interfund loan payable		61,611	
Advances from other funds			
Deferred revenue	3,404,462		
Due to students			
Accrued interest payable	1,186		
Retirement incentive payable			
Energy conservation bonds payable			
Tax anticipation note payable	160,000		
Obligation under capital lease			
General obligation bonds payable			
Total Liabilities	4,793,253	113,891	1,271
EQUITY AND OTHER CREDITS:			
Investment in general fixed assets			
Retained earnings: unreserved			
Fund balances:			
Reserved for encumbrances	255,860	51,822	863,073
Reserved for supplies inventory	9,649		
Reserved for prepayments	15,590		
Reserved for tax revenue unavailable for appropriation	73,004		
Reserved for budget stabilization	178,623		
Reserved for advances	8,468		
Unreserved-undesignated	308,323	100,752	56,468
Total Equity and Other Credits	849,517	152,574	919,541
Total Liabilities, Equity and Other Credits	$5,642,770	$266,465	$920,812

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		
Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
$150,059	$67,748			$2,336,070
				4,333,000
688				2,334
				12,873
				62,796
				89,139
				8,468
				15,590
4,503				14,152
				178,623
54,050		$8,388,194		8,442,244
			$2,514,208	2,514,208
$209,300	$67,748	$8,388,194	$2,514,208	$18,009,497
$3,953				$127,854
32,172				958,308
16,330			$607,385	681,292
43,324			78,557	295,423
	$1,185			62,796
	8,468			8,468
2,748				3,407,210
	38,883			38,883
				1,186
			37,266	37,266
			725,000	725,000
				160,000
			840,000	840,000
			226,000	226,000
98,527	48,536	0	2,514,208	7,569,686
		8,388,194		8,388,194
110,773				110,773
				1,170,755
				9,649
				15,590
				73,004
				178,623
				8,468
	19,212			484,755
110,773	19,212	8,388,194	0	10,439,811
$209,300	$67,748	$8,388,194	$2,514,208	$18,009,497

VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2000

	Governmental Fund Types			Fiduciary Fund Type	
	General	**Special Revenue**	**Capital Projects**	**Expendable Trust**	**Total (Memorandum Only)**
Revenues:					
From local sources:					
Taxes	$5,409,825				$5,409,825
Tuition	20,266				20,266
Earnings on investments	98,893		936	1,086	100,915
Other local revenues	127,263	257,233		3,549	388,045
Intergovernmental - State	5,702,259	61,645			5,763,904
Intergovernmental - Federal		236,734			236,734
Total Revenue	11,358,506	555,612	936	4,635	11,919,689
Expenditures:					
Current:					
Instruction:					
Regular	5,065,523	59,574	188,795	286	5,314,178
Special	976,908	150,919			1,127,827
Vocational	395,085				395,085
Other	24,068				24,068
Support services:					
Pupil	498,384	54,082			552,466
Instructional staff	166,035	48,525		3,542	218,102
Board of Education	14,861				14,861
Administration	1,144,665	39,262			1,183,927
Fiscal	204,106	2,253			206,359
Business	5,039				5,039
Operations and maintenance	1,196,537		1,521		1,198,058
Pupil transportation	604,273	340			604,613
Central	71,288	8,765			80,053
Extracurricular activities	264,386	202,354		1,350	468,090
Facilities services	1,496		16,253		17,749
Debt service:					
Principal retirement	132,697				132,697
Interest and fiscal charges	64,464				64,464
Total Expenditures	10,829,815	566,074	206,569	5,178	11,607,636
Excess (deficiency) of revenues over (under) expenditure:	528,691	(10,462)	(205,633)	(543)	312,053
Other financing sources (uses):					
Operating transfers in		5,743	2,485		8,228
Operating transfers out	(8,228)				(8,228)
Proceeds of capital lease transaction			840,000		840,000
Proceeds of bonds			160,000		160,000
Proceeds from sale of assets	9,065				9,065
Total Other Financing Sources	837	5,743	1,002,485	0	1,009,065
Excess (deficiency) of revenues and other financing sources over (under) expenditures	529,528	(4,719)	796,852	(543)	1,321,118
Fund balance, July 1, 1999	319,708	157,293	122,689	19,755	619,445
Increase in reserve for inventory	281				281
Fund Balance, June 30, 2000	$849,517	$152,574	$919,541	$19,212	$1,940,844

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

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VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	$5,431,784	$5,431,784	$0			
Tuition	20,704	20,704	0			
Earnings on investments	91,306	91,306	0	$5,743	$5,743	$0
Other local revenues	127,252	127,252	0	256,345	256,345	0
Intergovernmental - State	5,701,559	5,701,559	0	61,644	61,644	0
Intergovernmental - Federal				197,127	197,127	0
Total revenues	11,372,605	11,372,605	0	520,859	520,859	0
Expenditures:						
Current:						
Instruction:						
Regular	5,135,189	5,292,693	(157,504)	73,449	81,813	(8,364)
Special	971,753	972,039	(286)	149,851	149,867	(16)
Vocational	390,528	390,568	(40)			
Other	24,383	24,384	(1)			
Support services:						
Pupil	509,360	509,920	(560)	50,495	60,198	(9,703)
Instructional staff	179,620	180,926	(1,306)	47,713	48,459	(746)
Board of Education	15,885	15,886	(1)			
Administration	1,185,714	1,186,043	(329)	39,063	39,138	(75)
Fiscal	200,021	201,317	(1,296)	2,192	2,192	0
Business	5,039	5,039	0			
Operations and maintenance	1,167,215	1,248,682	(81,467)			
Pupil transportation	595,366	650,352	(54,986)	340	340	0
Central	61,225	61,225	0	8,289	8,289	0
Extracurricular activities	263,976	263,976	0	194,302	241,372	(47,070)
Facilities services	1,496	68,059	(66,563)			
Debt service:						
Principal retirement	280,000	280,000	0			
Interest and fiscal charges	64,316	64,316	0			
Total expenditures	11,051,086	11,415,425	(364,339)	565,694	631,668	(65,974)
Excess (deficiency) of revenues over (under) expenditures	321,519	(42,820)	(364,339)	(44,835)	(110,809)	(65,974)
Other financing sources (uses):						
Accrued interest on bonds	1,186	1,186	0			
Advances in	15,305	15,305	0	61,611	61,611	0
Advances (out)	(62,873)	(62,873)	0	(8,338)	(8,338)	0
Proceeds of sale of fixed assets	9,065	9,065	0			
Proceeds of sale of bonds						
Proceeds of sale of notes						
Total other financing sources (uses)	(37,317)	(37,317)	0	53,273	53,273	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	284,202	(80,137)	(364,339)	8,438	(57,536)	(65,974)
Fund Balances, July 1, 1999	825,467	825,467	0	115,995	115,995	0
Prior Year Encumbrances Appropriated	88,571	88,571	0	53,400	53,400	0
Fund balances, June 30, 2000	$1,198,240	$833,901	($364,339)	$177,833	$111,859	($65,974)

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

Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
$0	$0	$0	$5,431,784	$5,431,784	$0
			20,704	20,704	0
3,420	3,420	0	100,469	100,469	0
			383,597	383,597	0
			5,763,203	5,763,203	0
			197,127	197,127	0
3,420	3,420	0	11,896,884	11,896,884	0
191,079	1,029,511	(838,432)	5,399,717	6,404,017	(1,004,300)
			1,121,604	1,121,906	(302)
			390,528	390,568	(40)
			24,383	24,384	(1)
0	0		559,855	570,118	(10,263)
			227,333	229,385	(2,052)
0	0		15,885	15,886	(1)
			1,224,777	1,225,181	(404)
0	0		202,213	203,509	(1,296)
			5,039	5,039	0
250	26,161	(25,911)	1,167,465	1,274,843	(107,378)
			595,706	650,692	(54,986)
			69,514	69,514	0
			458,278	505,348	(47,070)
16,253	16,253	0	17,749	84,312	(66,563)
0	0		280,000	280,000	0
0	0		64,316	64,316	0
207,582	1,071,925	(864,343)	11,824,362	13,119,018	(1,294,656)
(204,162)	(1,068,505)	(864,343)	72,522	(1,222,134)	(1,294,656)
			1,186	1,186	0
			76,916	76,916	0
0	0		(71,211)	(71,211)	0
			9,065	9,065	0
160,000	160,000	0	160,000	160,000	0
840,000	840,000	0	840,000	840,000	0
1,000,000	1,000,000	0	1,015,956	1,015,956	0
795,838	(68,505)	(864,343)	1,088,478	(206,178)	(1,294,656)
48,037	48,037	0	989,499	989,499	0
76,937	76,937	0	218,908	218,908	0
$920,812	$56,469	($864,343)	$2,296,885	$1,002,229	($1,294,656)

VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

	Proprietary Fund Types		
	Enterprise	**Internal Service**	**Total (Memorandum Only)**
Operating Revenues:			
Tuition and fees	$43,797		$43,797
Sales/charges for services	607,094		607,094
Other operating revenues	240		$240
Total Operating Revenues	651,131	0	651,131
Operating expenses:			
Personal services	321,709		321,709
Contract services	56,360		56,360
Materials and supplies	330,154	27	330,181
Depreciation	4,211		4,211
Total Operating Expenses	712,434	27	712,461
Operating Loss	(61,303)	(27)	(61,330)
Nonoperating revenues:			
Operating grants	52,277		52,277
Federal commodities	33,322		33,322
Interest revenue	5,180		5,180
Total Nonoperating Revenues	90,779	0	90,779
Net Income (Loss)	29,476	(27)	29,449
Retained Earnings, July 1, 1999	81,297	27	81,324
Retained Earnings, June 30, 2000	$110,773	$0	$110,773

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

VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

	Proprietary Fund Types		
	Enterprise	**Internal Service**	**Total (Memorandum Only)**
Cash flows from operating activities:			
Cash received from tuition and fees	$43,829		$43,829
Cash received from sales/service charges	607,055		607,055
Cash payments for personal services	(327,417)		(327,417)
Cash payments for contract services	(56,360)		(56,360)
Cash payments supplies and materials	(295,848)	(27)	(295,875)
Net cash used in operating activities	(28,741)	(27)	(28,768)
Cash flows from noncapital financing activities:			
Cash received from operating grants	52,277		52,277
Cash payments used in repayment of interfund loans	(6,235)		(6,235)
Net cash provided by noncapital financing activities	46,042	0	46,042
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(11,425)		(11,425)
Cash flows from investing activities:			
Interest received	5,180		5,180
Net increase (decrease) in cash and cash equivalents	11,056	(27)	11,029
Cash and cash equivalents at beginning of year	139,003	27	139,030
Cash and cash equivalents at end of year	$150,059	$0	$150,059
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	($61,303)	($27)	(61,330)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	4,211		4,211
Federal donated commodities	33,322		33,322
Changes in assets and liabilities:			
Decrease in supplies inventory	511		511
Increase in accounts receivable	(247)		(247)
Increase in accounts payable	621		621
Increase in accrued wages & benefits	4,529		4,529
Decrease in compensated absences payable	(9,263)		(9,263)
Decrease in pension obligation payable	(974)		(974)
Decrease in deferred revenue	(148)		(148)
Net cash used in operating activities	($28,741)	($27)	($28,768)

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

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1. DESCRIPTION OF THE SCHOOL DISTRICT

The Valley View Local School District (the "District") is located in Montgomery County and encompasses the Villages of Germantown, Carlisle and Farmersville and the Townships of German, Jackson, Jefferson, Miami and Gratis. The District serves an area of approximately 68 square miles.

The District was established through the consolidation of existing land areas and school districts and is organized under Section 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District ranks as the 290th largest by enrollment among the 660 public and community school districts in the State, and 12th in Montgomery County. It currently operates 2 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 90 non-certified and 135 certified employees to provide services to 1,932 students in grades K through 12 and various community groups.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization, or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

1. Jointly Governed Organizations:

Miami Valley Career Tech Vocational School - The vocational school district is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide for the vocational and special education needs of its students. The Board of Education is comprised of 17 members elected from the 27 participating school districts. The school accepts non-tuition students from the District as a member school, however, it is considered to be a separate political subdivision and not part of the District. Financial information is available from Debbie Whitton, Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

Southwestern Ohio Educational Purchasing Cooperative (SOEPC) - SOEPC is a purchasing cooperative made up of nearly one hundred school districts in Montgomery and surrounding counties. The purpose of the cooperative is to obtain lower prices for supplies and materials commonly used by the member districts. The members are obligated to pay all fees, charges, and assessments as established by SOEPC. Each member district has one voting representative. Title to any and all equipment and supplies purchased by SOEPC is held in trust for the member districts. Any district withdrawing from SOEPC shall forfeit its claim to any and all SOEPC assets. One year's 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 District's General fund. Financial information is available from SOEPC by contacting Robert Brown, Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Metropolitan Dayton Educational Cooperative (MDECA) - The District is a participant in MDECA, which is a computer consortium of 25 public school districts within the boundaries of Darke, Greene, Miami, and Montgomery 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 MDECA consists of one representative from each district plus one representative from the fiscal agent. The District pays MDECA an enrollment based fee for services provided during the year; this fee totaled $27,503 for fiscal 2000. Financial information is available from Jerry C. Woodyard, Executive Director, at 201 Riverside Drive, Dayton, Ohio 45405.

2. Related Organization:

Germantown Public Library - The Germantown Public Library is a distinct political subdivision of the State of Ohio, created in accordance with Chapter 3375, ORC. The Board of Education is responsible for appointing the trustees of the Library; however, the Board cannot influence the Library's operation, nor does the Library represent a potential financial benefit or burden to the District. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the District must place the levy on the ballot. The Library may issue debt and determines its own budget. The library budget is approved by the District's Board. The Library did not receive any funding from the District during fiscal year 2000.

The District also participates in a public entity risk sharing pool, discussed in Note 13.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

1. Governmental Funds

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

General Fund

The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose, provided it is expended or transferred in accordance with applicable Ohio statute.

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 expenditures for specified purposes.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition of construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

2. Proprietary Funds

Proprietary Funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's Proprietary Fund Types:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Funds

Enterprise Funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund

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

3. Fiduciary Funds

Trust and Agency Funds

These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust and Agency Funds. Expendable Trust funds are accounted for in essentially the same manner as Governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are reported on a cash basis, with note disclosure regarding items which, in other fund types, would be subject to accrual.

4. Account Groups

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

General Fixed Assets Account Group

This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds.

General Long-Term Obligations Account Group

This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the Proprietary Funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting

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

All Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The District reports deferred revenue 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. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in Governmental funds.

The Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenues.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2000 is as follows:

1. Prior to January 15 of the preceding year, 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

2. By no later than January 20, the Board-adopted budget is filed with the Montgomery County Budget Commission for tax rate determination.

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2000.

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

5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interest loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.

6. 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.

7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.

8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2000, in the following (net) amounts:

	Increase	(Decrease)
General Fund		$ (340,917)
Special Revenue Funds		(53,362)
Capital Projects Funds	$195,191	
Enterprise Funds	12,709	
Expendable Trust Fund	1,552	
Agency Fund	10,622	
Internal Service Funds	27	
Total Increase (Decrease)	$220,101	$(394,279)

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

   Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 17 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Enterprise funds are disclosed in Note 14.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" (both unrestricted and restricted) on the combined balance sheet.

During fiscal year 2000, investments were limited to commercial paper, repurchase agreements, certificates of deposit and Federal Agency securities.

Except for nonparticipating investment contracts and investment contracts that have a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit, and investment contracts that had a remaining maturity of one year or less at the time of purchase are reported at cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Calculation of the Net Decrease in the Fair Value of Investments - Aggregate Method

Fair value at June 30, 2000	$ 100,000
Add: Proceeds of investments matured during fiscal 2000	0
Less: Cost of investments purchased	0
Fair value at June 30, 1999	(100,000)
Change in fair value of investments	$ 0

Under existing Ohio statutes, 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 2000 totaled $98,893, which included $41,830 assigned from other funds of the District.

An analysis of the Treasurer's investment account at year end is provided in Note 4.

F. Inventory

Inventories for all Governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Prepaids

Prepayments for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayments are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than $500 and a useful life of less than one year. 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, nor is interest on debt issued to construct or acquire general fixed assets. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Asset Account Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation has been provided, where appropriate, on a straight-line basis (using a 10% salvage value) over the following estimated useful lives:

Asset	Life (years)
Buildings	25-50
Furniture, Fixtures and Minor Equipment	5-20
Vehicles	4-6

I. Intergovernmental Revenues

In Governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary fund operations (excluding commodities) are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Management Information Systems
Title IV-B
SchoolNet Professional Development
Title I
Title VI
Drug-Free School
Pre-School for the Handicapped
Instructional Materials Subsidy
Ohio Reads
Teacher Development

Capital Projects Funds

SchoolNet
Vocational Education Equipment
Video Distance Learning

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reimbursable Grants

General Fund
Driver Education
School Bus Purchases

Special Revenue Funds
Telecommunications (E-rate)
Underground Storage Tank
Perkins Vocational Education

Proprietary Fund
National School Lunch Program

Grants and entitlements amounted to over 47% of the District's operating revenue during the 2000 fiscal year.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service and all employees with at least twenty (20) years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Other Employee Benefits

The District has entered into a Retirement Incentive whereby, upon election, an employee reaching his/her first year of retirement eligibility (with a minimum of thirty years of service credit with one or more of Ohio's public employees retirement systems and no less than ten years of service with the District by the effective date of retirement) is entitled to receive, in lieu of the retirement pay currently provided under Article 23 of the labor agreement, an amount equal to his/her per diem rate times 3/8 of his/her total accumulated and unused sick leave days (302 maximum for 1995-1996; 305 maximum for 1996-1997; 308 maximum for 1997-1998; 310 maximum for 1998-1999; 313 maximum for 1999-2000). An employee must retire under any of Ohio's public employee retirement systems by no later than the year he/she first becomes eligible for full retirement or forfeit any claim to the Retirement Incentive. The corresponding liability for employees who are eligible and have currently elected to participate in the Retirement Incentive has been recorded in the General Long-Term Obligations Account Group for employees who are paid from Governmental funds; and as a fund liability for employees paid from Proprietary funds.

L. 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, compensated absences, contractually required pension contributions, and early retirement incentives 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. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due.

Long-term debt and other obligations financed by Proprietary funds are reported as liabilities in the appropriate Proprietary funds.

M. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, tax advance unavailable for appropriation, prepaids, and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

N. Statutory Reserves

The District is required by State law to set-aside certain (cash-basis) General fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Beginning balance, July 1, 1999	$ 0	$ 0	$125,286	$125,286
Current year set-aside requirement	273,458	273,458	91,233	638,148
Current year offsets	0	(290,000)	(37,896)	(327,896)
Qualifying disbursements	(338,645)	(359,867)	0	(698,512)
Total	$ (65,187)	$(376,409)	$178,623	$(262,974)
Cash balance carried forward to FY 2000	$ 0	$ 0	$178,623	$ 178,623
Qualifying carry-over amounts	$ 65,187	$ 290,000	$ 0	

Although the District had offsets and qualifying disbursements during the year that reduced the textbook reserve and capital maintenance reserve set-aside amounts below zero, there were certain qualifying expenditures and offsets that may be used to reduce the set-aside requirements of future years. These amounts are therefore presented as qualifying carry-over amounts to the next fiscal year.

A schedule of the restricted assets at June 30, 2000 follows:

Amount restricted for budget stabilization	$178,623

O. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency funds, which do not report transfers of resources as operating transfers.

2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.

3. Short-term interfund loans are reflected as “interfund loans receivable or payable.” Such interfund loans are repaid in the following fiscal year.

4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.

5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.

6. Long-term interfund loans that will not be repaid within the next year are termed “advances” and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District’s interfund transactions for fiscal year 2000 is presented in Note 5.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Statement of Cash Flows

In September 1989, GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented a statement of cash flows for its Enterprise and Internal Service funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

Q. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

R. Restricted Assets

Restricted assets in the General fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction and/or for statutorily-specified purposes. A fund balance reserve has also been established. See Note 2.N. for statutory reserves.

S. Estimates

The preparation of financial statements in conformity with GAAP 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.

T. Memorandum Only - Total Columns

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

3. ACCOUNTABILITY AND COMPLIANCE

Fund balances at June 30, 2000 included the following individual fund deficits:

Special Revenue Funds	Deficit Balance
Title VI-B	$(41,029)
Title VI	(51)

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

These deficits, caused by the application of generally accepted accounting principles, will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The General fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur.

4. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

Inactive deposits are public deposits 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 accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

Interim monies may 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 securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,

8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.

Deposits: At year-end the carrying amount of the District's deposits was $2,148,668 and the bank balance was $2,247,812 (both amounts include $1,073,586 in non-negotiable certificates of deposit, but are exclusive of payroll clearance accounts). Of the bank balance:

1. $1,346,156 was covered by federal deposit insurance.

2. $901,656 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

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

4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	Category of Risk 3	Fair Value
Repurchase Agreement	$168,775	$168,775
Commercial Paper	97,250	97,250
Federal Agency Security	100,000	100,000
Total Investments	$366,025	$366,025

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

A reconciliation between the classifications of cash and cash equivalents and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Equity in Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	$2,514,693	
Investments of the Cash Management Pool:		
Repurchase Agreement	(168,775)	$168,775
Commercial Paper	(97,250)	97,250
Federal Agency Security	(100,000)	100,000
GASB Statement No. 3	$2,148,668	$366,025

5. INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2000, consist of the following individual interfund loans receivable and payable:

	Interfund Loan Receivable	Interfund Loan (Payable)
General Fund	$62,796	
Special Revenue Fund		
Title VI-B		$(32,654)
Title I		(28,957)
Agency Fund		
Student Managed Activities		(1,185)
Total All Fund Types	$62,796	$(62,796)

5. INTERFUND TRANSACTIONS (Continued)

B. Interfund balances at June 30, 2000 consist of the following long-term advances:

	Advanced to Other Funds	Advanced (from) Other Funds
General Fund	$ 8,468	
Agency Fund		
Student Managed Activities		$(8,468)
Total	$8,468	$ 8,468

C. The following is a reconciliation of the District's operating transfers for fiscal year 2000:

	Transfers In	Transfers (Out)
General Fund		$(8,228)
Special Revenue Funds		
District Managed Student Activity	$5,743	
Capital Projects Fund		
Permanent Improvement	2,485	
Total	$8,228	$(8,228)

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value, and personal property is assessed at 100% of market value, except for the personal property of rural electric companies which is assessed 50% of market value, and railroads, which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first $10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

The assessed values upon which the fiscal year 2000 taxes were collected are as follows:

6. PROPERTY TAXES (Continued)

	1999 Second-Half Collections		2000 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Property	$118,806,820	83.92	$136,632,470	84.79
Tangible Personal Property	7,065,672	4.99	8,847,665	5.49
Public Utility Personal	15,699,220	11.09	15,667,910	9.72
	$141,571,712	100.00	$161,148,045	100.00
Voted tax rate per $1,000 of assessed valuation:	$34.20		$34.20	

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

The Montgomery County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2000 totaled $73,004 in the General fund.

7. SCHOOL DISTRICT INCOME TAX

In fiscal 1994, voters of the District passed a .75% income tax, effective for five years, and renewed it in fiscal 2000. In fiscal 1996, voters of the District passed a .5% income tax, effective for five years. The tax is collected by the State of Ohio and remitted to the District quarterly. Total income tax revenue for fiscal 2000 credited to the General fund was $3,136,398, which includes a receivable at June 30, 2000 of $867,485.

8. RECEIVABLES

Receivables at June 30, 2000 consisted of taxes, interest, interfund loans, accounts, and intergovernmental State and Federal revenue. 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 year guarantee of Federal funds.

8. RECEIVABLES (Continued)

A summary of the principal items of receivables follows:

	Amounts
General Fund	
Taxes - Current & Delinquent	$4,333,000
Interfund loans	62,796
Accrued interest	12,873
Special Revenue Funds	
Due From Other Governments	87,639

9. FIXED ASSETS

A summary of the changes in the General Fixed Assets Account Group during the fiscal year follows:

	Balance July 1, 1999	Increase	Decrease	Balance June 30, 2000
Land/Improvements	$ 534,360	$ 45,781	$ 0	$ 580,141
Buildings/Improvements	4,741,411	156,625		4,898,036
Furniture/Equipment	1,610,438	183,225		1,793,663
Vehicles	940,342	63,203		1,003,545
Construction in Progress		112,809		112,809
Total	$7,826,551	$ 561,643	$ 0	$8,388,194

A summary of the Proprietary fixed assets at June 30, 2000 follows:

Furniture and Equipment	$ 209,631
Less: Accumulated Depreciation	(155,581)
Net Fixed Assets	$ 54,050

10. CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the District entered into a lease for a copier. In the current year, the District entered into a lease for a building. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. The new lease has been accounted for as an other financing source in the Capital Projects funds.

10. CAPITALIZED LEASES - LESSEE DISCLOSURE (Continued)

Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Fund Types and Expendable Trust Fund. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Assets Account Group in the amount of $112,809, which is equal to the amount of payments made for construction of the buildings as of June 30, 2000. A corresponding liability was recorded in the General Long-Term Obligations Account Group.

Principal payments for fiscal year 2000 for the copier totaled $2,697, which retired the District's capital lease obligation. The District exercised its bargain purchase option, and took title to the equipment. This amount is reflected as debt service principal retirement in the General fund. Principal and interest payments for the building lease will be made from the Capital Projects Building Fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2000:

Year Ending June 30	Building
2001	$ 90,041
2002	90,039
2003	90,040
2004	90,038
2005	90,038
2006 - 2010	450,195
2011 - 2015	450,292
Total Future Minimum Lease Payments	1,350,683
Less: Amount Representing Interest	(510,683)
Present Value of Future Minimum Lease Payments	$ 840,000

11. LONG-TERM OBLIGATIONS

Previously issued general obligation bonds outstanding, issued to provide funds for school bus purchases, in accordance with the terms of the State of Ohio's School Bus Purchase Finance Program, are general obligations of the District for which the full faith and credit of the District are pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the General fund. The State provides the funds for the repayment of these bonds. During fiscal 2000, the District received a total of $30,981 as part of the state reimbursement for the school buses.

In fiscal year 1996, the District issued un-voted long-term "energy conservation" bonds, under authority of H.B. 264. Energy conservation bonds outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these bonds are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these bonds are recorded as expenditures in the General fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of these bonds without voter approval, and the subsequent repayment of the bonds from operating revenues.

11. LONG-TERM OBLIGATIONS (Continued)

During the current fiscal year, the District issued un-voted general obligation bonds to provide funds for the acquisition of a new building. These bonds are general obligations of the District for which the full faith and credit of the District are pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligations Account Group.

By agreement with the County Budget Commission, and in accordance with Ohio law, the District has converted a portion of its "inside", or un-voted millage to provide the source of repayment for these bonds. Ohio statutes allow for the issuance of un-voted general obligation debt to the extent that the par amount of said debt does not exceed 1/10 of 1% of the valuation (at issuance date) of the District.

A. The following is a description of the District's bonds outstanding as of June 30, 2000:

	Interest Rate	Issue Date	Maturity Date	Outstanding July 1, 1999	Issued in 2000	Retired in 2000	Outstanding June 30, 2000
Energy Conservation Bonds	5.40%	05/15/96	06/15/05	$835,000		$(110,000)	$725,000
School Bus Purchase Bonds	5.49%	05/01/96	04/01/03	86,000		(20,000)	66,000
Facility Acquisition Bonds	6.90%	06/09/00	06/09/15		$160,000		160,000
				$921,000	$160,000	$(130,000)	$951,000

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

Year Ending June 30	Principal	Interest	Total
2001	$147,307	$ 55,957	$ 203,264
2002	158,757	47,764	206,521
2003	175,238	38,780	214,018
2004	162,753	28,712	191,465
2005	183,305	19,170	202,475
2006 - 2010	51,290	34,462	85,752
2011 - 2015	72,350	13,403	85,753
Total	$951,000	$238,248	$1,189,248

C. During the year ended June 30, 2000, the following changes occurred in the liabilities reported in the General Long-Term Obligations Account Group. Compensated absences, pension obligation, and the retirement incentive will be paid from the fund in which the employee was paid.

11. LONG-TERM OBLIGATIONS (Continued)

	Balance July 1, 1999	Increase	Decrease	Balance June 30, 2000
Compensated absences:				
Sick leave (severance)	$ 532,824	$ 235,287	$(170,682)	$ 597,429
Vacation	19,112	18,171	(27,327)	9,956
Retirement incentive	80,155	37,266	(80,155)	37,266
Pension obligation payable	80,706	78,557	(80,706)	78,557
School Bus Bonds	86,000		(20,000)	66,000
General obligation bonds payable		160,000		160,000
Energy Conservation Bonds	835,000		(110,000)	725,000
Obligation under capital lease	2,697	840,000	(2,697)	840,000
Total	$1,636,494	$1,369,281	$(491,567)	$2,514,208

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code further provides that un-voted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2000 are a voted debt margin of $14,503,324; an unvoted debt margin of $1,148; and an un-voted energy conservation debt margin of $725,332.

12. NOTES PAYABLE

A. In a prior period, the District issued tax anticipation notes for the purpose of paying current expenses. These notes are general obligations of the District for which the full faith and credit of the District is pledged for repayment. These notes are liabilities of the General Fund, which received the proceeds upon issuance.

Purpose	Interest Rate	Issue Date	Maturity Date	Original Amount	Outstanding 07/01/99	Issued in 2000	Retired in 2000	Outstanding 06/30/00
Tax Anticipation Note	5.12%	05/01/95	12/15/00	$550,000	$310,000		$(150,000)	$160,000

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

Year Ending June 30	Principal on General Obligation Note	Interest on General Obligation Note	Total
2001	$160,000	$4,160	$164,160

13. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries employee health and general liability insurance coverage through a commercial carrier. Absent the deductible, the risk of loss transfers entirely to the commercial carrier.

The District purchases dental and workers compensation insurance through the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (the "Trust"). The Trust is a public entity risk pool currently operating as a common risk management and insurance program. The intent of the Trust is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Trust. The workers compensation experience of the participating school districts is calculated as one experience and the common premium rate is applied to all districts in the Trust. The Trust is self-sustaining through member premiums and will reinsure through commercial coverage for claims in excess of the pooling level per year.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 16. As such, no funding provisions are required by the District.

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal 1999.

14. SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three Enterprise funds to account for the operations of Food Service, Uniform School Supplies, and the Latchkey program. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2000.

	Food Service	Uniform School Supplies	Latchkey Programs	Total
Operating revenue	$544,653	$43,797	$62,681	$651,131
Depreciation	4,184		27	4,211
Operating income (loss)	(63,780)	3,812	(1,335)	(61,303)
Non-operating Grants				
Operating Grants	52,277			52,277
Donated federal commodities	33,322			33,322
Net income (loss)	26,999	3,812	(1,335)	29,476
Net working capital	23,122	15,670	34,261	73,053
Fixed Assets: Additions	11,425			11,425
Total assets	146,239	19,623	43,438	209,300
Long-Term Liabilities				
Payable from Fund Revenues	16,330			16,330
Total equity	60,380	15,670	34,723	110,773
Encumbrances at 6/30/00	5,010	110	465	5,585

15. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides basic retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established 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. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14 percent for 2000; 5.55 percent was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were $110,779 and $196,415, and $185,464 respectively; 65 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. $154,802, which represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established, and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999 and 1998 were $377,543 and $844,970, and $733,116 respectively; 86 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. $140,620, which represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2000, members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

16. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled $503,391 during the 2000 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was $2.783 billion at June 30, 1999. As of July 1, 1999, eligible benefit recipients totaled 95,796. For the fiscal year ended June 30, 1999, net health care costs paid by STRS were $249,929,000.

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

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll, an increase from 6.30 percent for fiscal year 1999. 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 2000, the minimum pay has been established at $12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were $126,380,984 and the target level was $189.6 million. At June 30, 1999 SERS had net assets available for payment of health care benefits of $188 million. SERS has approximately 51,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled $171,204 during the 2000 fiscal year.

17. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance is done on a GAAP basis, the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances -Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

17. BUDGETARY BASIS OF ACCOUNTING (Continued)

a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental funds (GAAP basis).

d) Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental funds are as follows:

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses

	Governmental Fund Types		
	General Fund	Special Revenue Funds	Capital Projects Funds
Budget Basis	$(80,137)	$(57,536)	$ (68,505)
Net Adjustment for Revenue Accruals	(14,099)	34,753	(2,484)
Net Adjustment for Expenditure Accruals	221,270	(380)	1,013
Net adjustment for other Financing Sources (Uses)	38,154	(47,530)	2,485
Encumbrances	364,340	65,974	864,343
GAAP Basis	$529,528	$ (4,719)	$796,852

18. CONTINGENT LIABILITIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

18. CONTINGENT LIABILITIES (Continued)

B. Litigation

As of the balance sheet date, the District is involved in no litigation as either plaintiff or defendant.

C. 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 State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received $5,312,543 of school foundation support.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County 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 appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the (Ohio) Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...," including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the 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.

D. Accountability

The District is required to disclose all instances of violations of finance related legal provisions. During the audit period the District was found to be in violation of the following provisions:

Ohio Rev. Code Section 5705.29(H), requires the following to satisfy the budget reserve set-aside requirements:

1) Annual contributions of 1% of the base are required until the 5% level is reached. A special contribution to the budget reserve is required to be made from any refunds received during calendar 1998 from the Ohio Bureau of Workers' Compensation.
2) The set-aside amount not spent in one year, must be carried forward to the next year.
3) The reserve must be represented by (restricted) cash at year-end.

18. CONTINGENT LIABILITIES (Continued)

The District established a budget stabilization reserve in accordance with Ohio Rev. Code Section 5705.29(H). For FY 2000, the District included reserve amounts totaling $125,286 in the amount of unencumbered balances certified to the county budget commission as available for appropriation. However, these amounts did not meet the criteria for appropriation and should have been excluded from FY 2000 appropriations.

With respect to the budget stabilization reserve, which is to be established under Ohio Rev. Code Section 3315.17, Ohio Administrative Code 3301-92 requires the reserves to be accounted for within the school district's general fund using a reasonable accounting method. The District did not account for the budget stabilization reserve in the accounting system. This resulted in the amount available for expenditure, as recorded in the accounting system, being overstated by $178,623.

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. At June 30, 2000, actual expenditures plus outstanding encumbrances exceeded appropriations at the legal level of control, in the following funds:

Fund	Actual Expenditures plus Outstanding Encumbrances	Appropriations	Variance
General Fund			
General Fund	$11,478,297	$11,202,530	($275,767)
Special Revenue Fund			
Public School Support	$61,969	$55,945	($6,024)
District Managed Activities	$241,372	$224,913	($16,459)
Ohio Reads Grant	$19,001	$15,852	($3,149)
Miscellaneous State Grants	$14,425	$9,209	($5,216)
Capital Projects Fund			
Building	$976,659	$113,060	($863,599)
Enterprise Fund			
Food Service	$593,045	$588,034	($5,011)

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

Valley View Local School District
Montgomery County
64 Comstock Avenue
Germantown, OH 45327

To the Board of Education:

We have audited the financial statements of the Valley View Local School District, Montgomery County, (the District), as of and for the year ended June 30, 2000, and have issued our report thereon dated February 2, 2001. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-10357-001 and 2000-10357-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 2, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2000-10357-003 and 2000-10357-004.

**Internal Control Over Financial Reporting
(Continued)**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 2, 2001.

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

Jim Petro
Auditor of State

February 2, 2001

SCHEDULE OF FINDINGS
JUNE 30, 2000

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

FINDING NUMBER 2000-10357-001

Ohio Rev. Code Section 5705.29(H), requires the following to satisfy the budget reserve set-aside requirements:

A) Annual contributions of 1% of the base are required until the 5% level is reached. A special contribution to the budget reserve is required to be made from any refunds received during calendar year 1999 from the Ohio Bureau of Workers' Compensation.

B) The set-aside amount not spent in one year, must be carried forward to the next year.

C) The reserve must be represented by (restricted) cash at year-end.

The set-aside for budget stabilization should be treated like an encumbrance. Beginning in March 2000, set-aside amounts are not available for appropriation without prior approval from the Superintendent of Public Instruction or a two-thirds vote of the Board. Additionally, reserve funds can be spent only under certain circumstances. For those set-aside amounts that do not meet the criteria for appropriation, Ohio Rev. Code Section 5705.36 infers that reserve balances established are to be excluded from the amount of unencumbered balances certified to the county budget commission as available for appropriation.

The District established a budget stabilization reserve in accordance with Ohio Rev. Code Section 5705.29(H). For FY 2000, the District included reserve amounts totaling $125,286 in the amount of unencumbered balances certified to the county budget commission as available for appropriation. However, these amounts did not meet the criteria for appropriation and should have been excluded from FY 2000 appropriations. The District should assure that reserve balances not meeting criteria for appropriation are not included in amounts on the Certificate of Available Revenue to prevent these balances from being appropriated. This would reduce the risk of reserve balances being improperly appropriated and spent.

With respect to the budget stabilization reserve, which is to be established under Ohio Rev. Code Section 3315.17, Ohio Administrative Code 3301-92 requires the reserves to be accounted for within the school district's general fund using a reasonable accounting method. The District did not account for the budget stabilization reserve in the accounting system. This resulted in the amount available for expenditure, as recorded in the accounting system, being overstated by $178,623. To help ensure compliance with the above referenced sections of Ohio Revised Code, the District should consider recording the set aside amount, in a separate cost center, in the general fund of the accounting system.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2000-10357-002

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. At June 30, 2000, actual expenditures plus outstanding encumbrances exceeded appropriations at the legal level of control in the following funds:

Fund	**Actual Expenditures plus Outstanding Encumbrances**	**Appropriations**	**Variance**
General Fund			
General Fund	$11,478,297	$11,202,530	($275,767)
Special Revenue Fund			
Public School Support	$61,969	$55,945	($6,024)
District Managed Activities	$241,372	$224,913	($16,459)
Ohio Reads Grant	$19,001	$15,852	($3,149)
Miscellaneous State Grants	$14,425	$9,209	($5,216)
Capital Projects Fund			
Building	$976,659	$113,060	($863,599)
Enterprise Fund			
Food Service	$593,045	$588,034	($5,011)

The District should monitor appropriations and expenditures throughout the fiscal year. When the Board determines that additional expenditures are necessary, the Board should make amendments to its appropriations as needed to be in compliance with this section of Ohio Revised Code. Implementing these procedures will also reduce the risk that the District expends and encumbers more than what was legally appropriated by the Board.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2000-10357-003

The School District had established a board policy which required the Treasurer to develop and maintain a fixed asset accounting system, and in conjunction with the Superintendent, to develop and maintain procedures to insure compliance with this policy. The policy also stated that the principal or his/her designee in each building would be assigned fixed asset responsibility and be designated to work with the Treasurer and Superintendent.

The School District has not yet developed a fixed asset accounting system which maintains total fixed asset listings by location with tag identification numbers and other supplemental information for the District. It was also noted that the District has not developed procedures to account for additions and deletions of fixed assets throughout the year, nor has the District performed periodic physical inventories of the fixed assets. Failure to obtain timely records or employ adequate controls over the acquisition and disposal of fixed assets could result in misappropriation of assets and misstatements of recorded assets.

To assist the School District in maintaining adequate safeguards over their fixed assets, and reduce the risk that the District's fixed assets will be materially misstated, District management should develop and implement appropriate procedures as required by the Board's fixed asset policy. These procedures should include the development of addition and disposal forms to be completed by the buildings when assets are acquired or disposed, and performance of periodic physical inventories by location. In addition, the School District should maintain a fixed asset accounting system which accurately represents all fixed assets owned by the School District.

FINDING NUMBER 2000-10357-004

The District did not include year end encumbrances in the final appropriation amendment. At year end, actual expenditures (not including current encumbrances) were used to prepare the final appropriation amendment. This resulted in expenditures plus encumbrances exceeding appropriations, as described in Finding 2000-10357-002. To be compliant with applicable budgetary sections of the Ohio Revised Code, appropriation amendments should include current year encumbrances. Budgetary documents should be entered into the District's system and used to help evaluate its financial status and make related financial decisions.

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VALLEY VIEW LOCAL SCHOOL DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 6, 2001