

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

SUPPLEMENTAL REPORTS

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2006**

DANIEL SCHALL, TREASURER



Mary Taylor, CPA
Auditor of State

Board of Trustees
Vandalia-Butler City School District
306 South Dixie Street
Vandalia, Ohio 45377-2128

We have reviewed the *Independent Auditor's Report* of the Vandalia-Butler City School District, Montgomery County, prepared by Julian & Grube, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Vandalia-Butler City School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

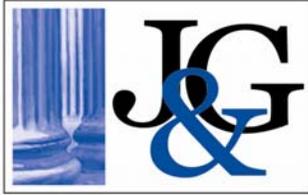
May 10, 2007

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

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Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report on Supplementary Schedule of Receipts and Expenditures of Federal Awards

Board of Education
Vandalia-Butler City School District
306 S. Dixie Drive
Vandalia, OH 45377-2128

We have audited the financial statements of the governmental activities, its major fund and the aggregate remaining fund information of the Vandalia-Butler City School District, Montgomery County (the "District") as of and for the fiscal year ended June 30, 2006, and have issued our report thereon dated March 27, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as whole.

Julian & Grube, Inc.

Julian & Grube, Inc.
March 27, 2007

VANDALIA-BUTLER CITY SCHOOL DISTRICT
 SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
(B) Food Donation	10.550	N/A	\$ -	\$ 31,852	\$ -	\$ 31,852
(C) National School Lunch Program	10.555	044958-LL-P4-2005	54,614	-	54,614	-
(C) National School Lunch Program	10.555	044958-VG-S1-2005	13,607	-	13,607	-
(C) National School Lunch Program	10.555	044958-LL-P4-2006	153,433	-	153,433	-
Total U.S. Department of Agriculture			<u>221,654</u>	<u>31,852</u>	<u>221,654</u>	<u>31,852</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I Grants to Local Educational Agencies	84.010	044958-C1-S1-2005	20,512	-	31,262	-
Title I Grants to Local Educational Agencies	84.010	044958-C1-S1-2006	267,941	-	317,800	-
Total Title I Grants to Local Educational Agencies			<u>288,453</u>	-	<u>349,062</u>	-
Special Education Cluster:						
(A) Special Education-Grants to States	84.027	044958-6B-SF-2006	758,920	-	662,868	-
(A) Special Education-Preschool Grants	84.173	044958-PG-S1-2005	10,473	-	146	-
(A) Special Education-Preschool Grants	84.173	044958-PG-S1-2006	11,451	-	3,752	-
Total Special Education-Preschool Grants			<u>21,924</u>	-	<u>3,898</u>	-
Total Special Education Cluster			<u>780,844</u>	-	<u>666,766</u>	-
Safe and Drug-Free Schools and Communities-State Grants	84.186	044958-DR-S1-2006	12,504	-	-	-
State Grants for Innovative Programs	84.298	044958-C2-S1-2005	26,615	-	13,858	-
State Grants for Innovative Programs	84.298	044958-C2-S1-2006	10,513	-	1,765	-
Total State Grants for Innovative Programs			<u>37,128</u>	-	<u>15,623</u>	-
Education Technology State Grants	84.318	044958-TJ-S1-2005	6,428	-	12,001	-
Education Technology State Grants	84.318	044958-TJ-S1-2006	5,176	-	7,732	-
Total Education Technology State Grants			<u>11,604</u>	-	<u>19,733</u>	-
Improving Teacher Quality State Grants	84.367	044958-TR-S1-2005	101,709	-	4,251	-
Improving Teacher Quality State Grants	84.367	044958-TR-S1-2006	54,284	-	49,077	-
Total Improving Teacher Quality State Grants			<u>155,993</u>	-	<u>53,328</u>	-
Total U.S. Department of Education			<u>1,286,526</u>	<u>31,852</u>	<u>1,104,512</u>	<u>31,852</u>
Total Federal Financial Assistance			<u>\$ 1,508,180</u>	<u>\$ 31,852</u>	<u>\$ 1,326,166</u>	<u>\$ 31,852</u>

- (A) Included as part of "Special Education Grant Cluster" in determining major programs.
- (B) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) This schedule was prepared on the cash basis of accounting.



Julian & Grube, Inc.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Education
Vandalia-Butler City School District
306 S. Dixie Drive
Vandalia, OH 45377-2128

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Vandalia-Butler City School District, Montgomery County, (the “District”) as of and for the fiscal year ended June 30, 2006, which collectively comprise the District’s basic financial statements and have issued our report thereon dated March 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated March 27, 2007.

Board of Education
Vandalia-Butler City School District

Compliance and Other Matters

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 grant agreements, 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 three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings as items 2006-VBCSD-001, 2006-VBCSD-002 and 2006-VBCSD-003. We also noted certain immaterial instances of noncompliance or other matters that we reported to the management of the District in a separate letter dated March 27, 2007.

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



Julian & Grube, Inc.
March 27, 2007



Julian & Grube, Inc.
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Compliance With Requirements Applicable to Its
Major Federal Program and on Internal Control Over
Compliance in Accordance With *OMB Circular A-133***

Board of Education
Vandalia-Butler City School District
306 S. Dixie Drive
Vandalia, OH 45377-2128

Compliance

We have audited the compliance of the Vandalia-Butler City School District, Montgomery County, (the “District”) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the fiscal year ended June 30, 2006. The District’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the District’s management. Our responsibility is to express an opinion on the District’s compliance based on our audit.

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

Board of Education
Vandalia-Butler City School District

In our opinion, the Vandalia-Butler City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2006.

Internal Control Over Compliance

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

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

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



Julian & Grube, Inc.
March 27, 2007

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs:	Special Education Cluster: Special Education: Grants to States CFDA #84.027 and Special Education: Preschool CFDA #84.173.
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2006**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
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Finding Number	2006-VBCSD-001
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Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

It was noted during the audit that the District had expenditures exceeding appropriations in the following funds for the fiscal year ended June 30, 2006:

Fund Type	Fund	Excess
Special Revenue	School Net Professional Development	\$ 2,926
Special Revenue	Title I	68,843
Special Revenue	E-Rate	21,190
Special Revenue	Title II-A	1,609
Special Revenue	Miscellaneous Federal Grants	5,976
Enterprise	Food Service	19,705

With expenditures exceeding appropriations, the District is expending monies that have not been appropriated and approved by the Board of Education. This may result in unnecessary purchases or overspending which may lead to a fund deficit.

We recommend that the District comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget prior to year end. This may be achieved by monitoring the budget more closely on a continual basis.

Client Response: The District is attempting to monitor its budget more closely and to increase its appropriations as needed.

Finding Number	2006-VBCSD-002
----------------	----------------

Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be expended only after such fund receives monies to cover expenditures.

It was noted during the audit that at June 30, 2006, the District had negative cash balances in the following funds:

<u>Nonmajor Funds</u>	<u>Amount</u>
District Managed Activity	\$ 12,285
Entry Year Programs	29,000
Title I	49,860

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2006**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
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Finding Number	2006-VBCSD-002 - (Continued)
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The District has spent monies not available to that fund and thus causing noncompliance. No fund should have a negative cash fund balance throughout the year or at year end.

We recommend that the District properly expend monies only after funds have been received and subsequent to proper appropriation. If funds are anticipated, but not yet received and expenditures are necessary, the District should advance or transfer funds from the General Fund with proper Board approval.

Client response: The District will advance monies as necessary to cover temporary negative cash fund balances.

Finding Number	2006-VBCSD-003
----------------	----------------

Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed total estimated resources.

It was noted during the audit that total appropriations exceeded the total estimated resources in the following funds for the fiscal year ended June 30, 2006:

<u>Nonmajor Special Revenue Funds</u>	<u>Original</u>	<u>Final</u>
Auxiliary Services	\$ 50,000	\$ 151,850
Management Information Services		5,760
Entry Year Program		32,250
Miscellaneous State Grants	75,550	4,420

With appropriations exceeding estimated resources, the District is appropriating monies that are not in the treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause expenditures to increase and cause a deficit fund balance.

We recommend that the District comply with the Ohio Revised Code by keeping more accurate appropriations versus estimated resources. If it is determined that estimated resources will be greater than initially anticipated, the District should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2006**

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

Finding Number	2006-VBCSD-003 - (Continued)
----------------	------------------------------

Client Response: The District is attempting to monitor its budget more closely and to submit additional amendments for estimated resources or reduce its appropriations as necessary.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

**VANDALIA-BUTLER CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO
JUNE 30, 2006**

**STATUS OF PRIOR AUDIT FINDING
OMB CIRCULAR A-133 § .505**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u>; <i>Explain:</i>
2005-VBCSD-001	Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.	No	Repeated as Finding 2006-VBCSD-001

**VANDALIA-BUTLER CITY SCHOOL DISTRICT
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
for the fiscal year ended June 30, 2006**



306 South Dixie Drive, Vandalia, Ohio 45377

VANDALIA-BUTLER CITY SCHOOL DISTRICT
VANDALIA, OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Issued by:
Daniel Schall
Treasurer

Introductory Section

Vandalia-Butler City School District
Vandalia, Ohio
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2006

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March 30, 2007

Citizens of Vandalia-Butler City School District
and Members of the Vandalia-Butler Board of Education:

We are pleased to present the 2006 Comprehensive Annual Financial Report (CAFR) for the Vandalia-Butler City School District. This report, for the fiscal year ended June 30, 2006, contains the financial statements and other financial and statistical data that provide complete and full disclosure of all material financial aspects of the Vandalia-Butler City School District (District). The responsibility for the accuracy and completeness of all data presented, and the fairness of the presentation, rests with the District, specifically with the District Treasurer's office.

Accounting Principles Generally Accepted in the United States of America (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the Independent Auditor's Report.

DISTRICT OVERVIEW

The Vandalia-Butler City School District serves an area of 36 square miles in the northern part of Montgomery County, Ohio, encompassing Butler Township, the City of Vandalia, a portion of the City of Union, and a portion of the City of Dayton. The Dayton International Airport, located within the District, comprises approximately 6.25 square miles of the total 36 square miles.

The area is located approximately 10 miles north of the City of Dayton at the "Crossroads of America" which was originally defined by the intersection of US Route 40 and US Route 25A but is now identified by the intersection of Interstate 70 and Interstate 75 – America's coast-to-coast highways. With these major thoroughfares, Vandalia and Butler Township provide a desirable location for many families who work in the Dayton metropolitan area and provide a desirable location for many businesses that provide goods and services throughout the country.

Education in the area began with the first school that formed in Butler Township in 1807. Additionally, the Village of Vandalia School District formed in 1869. A consolidated Butler and Vandalia school district formed in 1921 under the name Butler Township Schools. The consolidated school district operated from the Butler Township School Building built in 1921. That school today currently operates as Morton Middle School serving students in grades 5 through 8.

The current charter as the Vandalia-Butler City School District was adopted in 1956. Today, the District operates six school buildings: 3 elementary schools serving grades Kindergarten through grade 4; 2 middle schools serving grades 5 through 8; and, 1 high school serving grades 9-12. These schools serve a total enrollment of 3,434 students.

The District's programs and services include instruction, support services, operation and maintenance of capital assets, pupil transportation, non-instructional services, and extracurricular activities.

The District's three elementary schools were constructed in 1952, 1957, and 1969 respectively. The District's two middle schools were constructed in 1922 and 1969 respectively. The District's high school was constructed in 1956.

DISTRICT ORGANIZATION AND REPORTING ENTITY

The District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code. Under a locally elected five member Board form of government, the District provides educational services as authorized by its charter or further mandated by state and/or federal agencies. The Board of Education serves as the taxing authority, contracting body, and policy maker for the District. In addition, the Board adopts the annual operating budget and approves all expenditures of District monies. The Board appoints the Superintendent and Treasurer. As the chief administrative officer, the Superintendent is responsible for the development, supervision, and operation of the school programs and facilities and appoints all other personnel in the District. As the chief financial officer, the Treasurer is responsible for maintaining financial records, acting as the custodian of all District funds, and investing idle funds as specified by law.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements of the District are not misleading.

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 also include organizations that are fiscally dependent on the District in that the District approves the organization's budget, the issuance of its debt or the levying of its taxes. Currently, the District does not have any component units.

The District is associated with the Southwestern Ohio Education Purchasing Council (SOEPC), which is defined as a jointly governed organization. It is a purchasing cooperative comprised of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. This organization is presented in Note 17.

Also, the District is associated with the Southwestern Ohio Instructional Technology Association (SOITA), which is defined as a jointly governed organization. It is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. This organization is presented in Note 17.

Also, the District is associated with the Miami Valley Career Technology Center, which is defined as a jointly governed organization. It is a distinct political subdivision of the State of Ohio operating as a joint vocational school district. The purpose of the school district is to provide vocational educational services to students of member districts. This organization is presented in Note 17.

Also, the District is associated with the Metropolitan Dayton Education Computer Association, which is defined as a jointly governed organization. It is a computer consortium of area school districts sharing computer resources. The purpose of the association is to apply modern technology with the aid of computers and other electronic equipment to administrative instructional functions among member districts. This organization is presented in Note 17.

ECONOMIC CONDITION AND OUTLOOK

The Vandalia-Butler City School District serves the residents of the City of Vandalia and Butler Township who despite lack of state dollars and removal of personal property from the tax base realize the importance of strong schools. In 2006, the District passed a 5.9 mill operating levy to continue to meet the financial needs of the district. The District's projected enrollment for 2007 is 3,466.

Butler Township continues to experience residential and commercial growth. With the redesign of the Interstate 70 and Interstate 75 exchange that began in 2002, the Township has opened a new exit ramp at the Benchwood Road interchange and closed to rebuild the Little York Road exchange. Among many new projects, York Commons is an 80 acre regional retail project located at the new I-75 Benchwood interchange, six miles north of downtown Dayton and within 10 minutes of the Dayton International Airport. The property is zoned B-3 allowing for most business enterprises. Tax incentives are being offered both in TIF and Enterprise Zone formats to provide further appeal for commercial development in the Benchwood area and around the Dayton International Airport.

The City of Vandalia passed an addition income tax in 2005 and is planning for continued economic growth. Similarly to the Township they are implementing tax incentives and modified infrastructure to attract more local business, and they are planning for the expansion of Dixie Road.

MAJOR INITIATIVES

Increasing student achievement served as the lens to focus all educational and financial decisions through the 2005-2006 school year. We achieved an "Excellent" rating for the second year in a row, as awarded by the state of Ohio on the local report card. We continue to improve as we examine weaknesses in student achievement and design targeted interventions to better align our instruction and our financial resources.

FINANCIAL INFORMATION

The District's accounting system is organized on a fund basis. Each fund is a distinct, self-balancing entity. Records for general governmental operations are maintained on a budgetary basis system of accounting as prescribed by State statute. Cash basis accounting differs from accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB).

Internal Controls

The management of the District is responsible for establishing and maintaining internal controls designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely derived from its implementations, and (2) the valuation of cost and benefits requires estimates and judgments by management.

The District uses a fully automated accounting system as well as an automated system for payroll. These systems, coupled with the manual payroll control procedures, ensures that the financial information generated is both accurate and reliable.

Federal and State Assistance

As a recipient of Federal and State assistance, the District is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. The internal controls are subject to periodic evaluation by management of the District.

Budgetary Controls

The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriation resolution. The legal level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level.

The District maintains an encumbrance accounting system as a technique of accomplishing budgetary control. Unencumbered appropriation balances are verified prior to the release of purchase orders to ensure funds are available to meet the obligation created by the purchase order. Encumbered amounts at year-end are carried forward to succeeding years and are not re-appropriated.

Financial Condition

This is the fifth year the District has prepared financial statements following GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." GASB 34 created new basic financial statements for reports as follows:

Government-wide financial statements. These statements are prepared on an accrual basis of accounting which is similar to the basis of accounting followed by many businesses. The government-wide statement distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District reports no business-type activities.

Fund financial statements. These statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Governmental funds use the modified accrual basis of accounting and include a reconciliation to the governmental activities accrual information presented in the government-wide financial statements. Proprietary and fiduciary funds use the accrual basis of accounting.

Statement of budgetary comparisons. These statements present comparisons of actual information to the legally adopted budget. The budgetary basis as provided by law is based upon accounting for certain transaction on a basis of cash receipts, disbursements, and encumbrances.

Management Discussion and Analysis for the District. This discussion is located in the financial section of this report following the audit opinion and provides an assessment of the District finances for 2006 and the outlook for the future.

Cash Management

In 2001, the District adopted an investment policy and has used Multi-Bank Services, Ltd. as an investment consultant. With the guidance of Multi-Bank Services, the District pursues an aggressive cash management program by expediting the receipt of revenues and prudently investing available cash pursuant to the District's investment policy. The total interest earned by the District's governmental funds was \$582,104 for the fiscal year ended June 30, 2006. A majority of the District's deposits are collateralized by pooled collateral. By law, financial institutions may establish a collateral pool to cover all public deposits. The collateral is held by trustees, including the Federal Reserve Bank and designated third party trustees of the financial institutions. The District regularly reviews the market value of the pool to ensure that adequate collateral is provided. A more detailed description of District's investments is presented in Note 6.

Risk Management

The District maintains protection for its assets and employees through a comprehensive insurance program. Insurance policies for vehicle fleet liability, general liability, property loss, and boiler and machinery coverage are purchased from insurance companies licensed to do business in the State of Ohio.

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

OTHER INFORMATION

Independent Audit

An audit team from Julian and Grube Inc. has performed this year's audit. The results of the audit are presented in the Independent Auditor's Report. In addition to the financial audit, a single audit was performed as required by the Single Audit Act Amendment of 1996 and the provisions of OMB circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The single audit report is not included in this Comprehensive Annual Financial Report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Vandalia-Butler City School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The District believes the current report continues to conform to the award program requirements and will submit it to the GFOA to determine its eligibility for an award.

Acknowledgements

Sincere appreciation is extended to the many people who have contributed their time and effort to prepare this report. The members of the Treasurer's Office Staff are to be especially commended for their input and commitment. Finally, appreciation is extended to the firm of Balestra, Harr and Scherer Consulting, LLC for the guidance and assistance in preparing this report.

Daniel Schall
Treasurer

Christy Donnelly, Ph.D.
Superintendent

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Vandalia-Butler City
School District, Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Vandalia-Butler City School District
Vandalia, Ohio
List of Principal Officials
June 30, 2006

ELECTED OFFICIALS

President, Board of Education
Vice President, Board of Education
Board of Education Member
Board of Education Member
Board of Education Member

Mrs. Judy Abromowitz
Mr. Bud Zupp
Dr. Mark Forte
Mr. William Hibner, Jr.
Mr. Robert Cupp

ADMINISTRATIVE OFFICIALS

Superintendent
Treasurer
Director of Curriculum
Director of Technology
Director of Business Operations
Director of Pupil Personnel

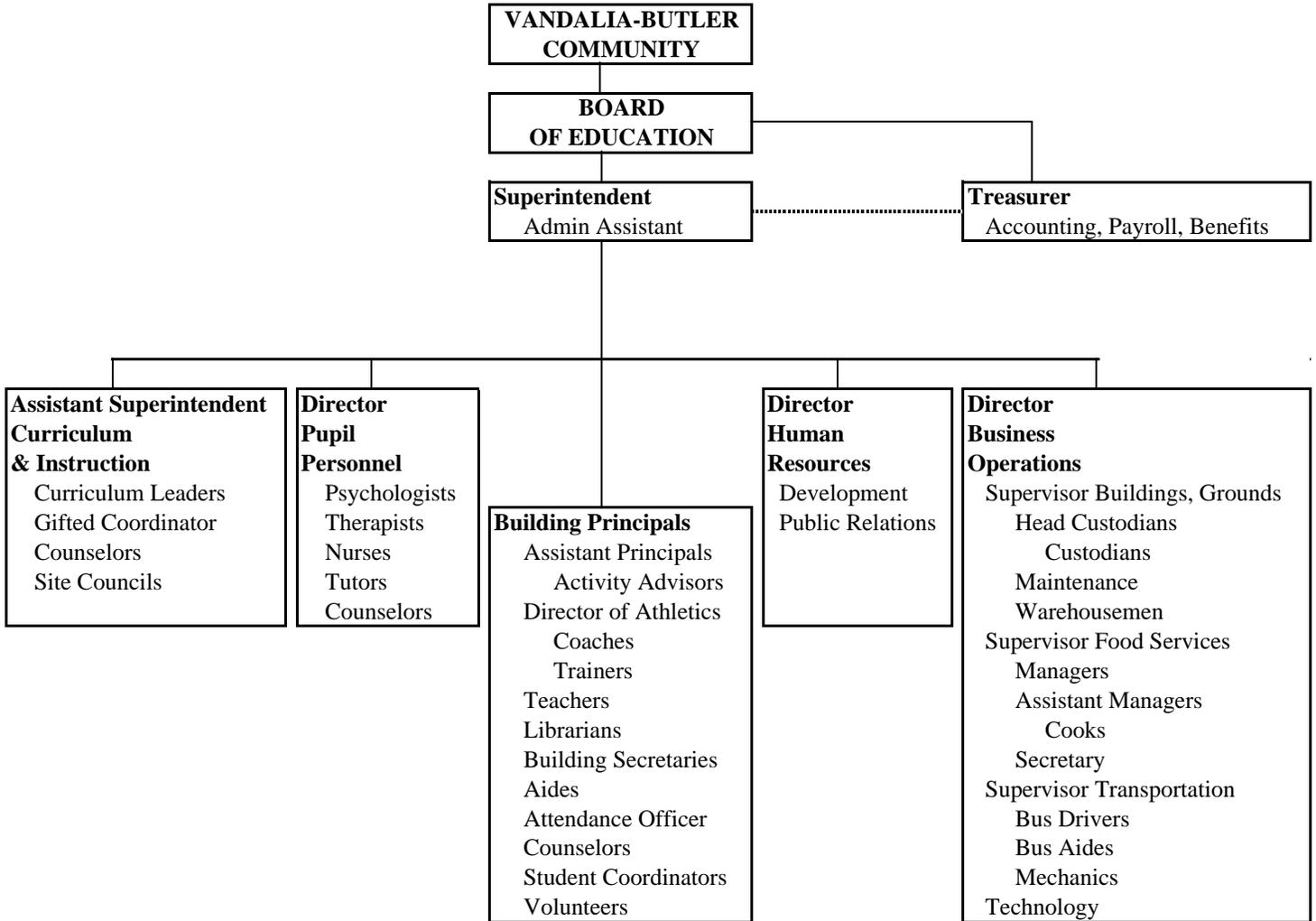
Dr. Christy Donnelly
Mr. Daniel Schall
Mrs. Laura Bemus
Mr. Jeff Cassell
Mr. Chuck Stewart
Mr. Dan Heaton

OFFICE OF THE TREASURER

Treasurer
Assistant to Treasurer
Payroll Supervisor
Benefits Coordinator
Accounting Clerk

Mr. Daniel Schall
Mrs. Kay Altenburger
Mrs. Betty Spencer
Mrs. Tiffany Hiser
Mrs. Sharon Elliott

Vandalia-Butler City School District
 Vandalia, Ohio
 Organizational Chart
 June 30, 2006



Financial Section



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Education
Vandalia-Butler City School District
306 S. Dixie Drive
Vandalia, OH 45377-2128

We have audited the accompanying financial statements of the governmental activities, its major fund and the aggregate remaining fund information of the Vandalia-Butler City School District, Montgomery County, Ohio, (the "District"), as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the Vandalia-Butler City School District, Montgomery County, Ohio, as of June 30, 2006, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2007, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report
Vandalia-Butler City School District

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules, have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Julian & Grube, Inc.
March 27, 2007

Vandalia-Butler City School District
Vandalia, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Vandalia-Butler City School District's (the District) discussion and analysis of the annual financial reports provides a review of the financial performance for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- The District's assets exceeded its liabilities at June 30, 2006 by \$12,386,611.
- The District's net assets of governmental activities decreased \$703,223 which represents a 5.4 percent decrease from 2005.
- General revenues accounted for \$27,934,119 in revenue or 86 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,644,049 or 14 percent of total revenues of \$32,578,168.
- The District had \$33,281,391 in expenses related to governmental activities; only \$4,644,049 of these expenses was offset by program specific charges for services and sales, grants, and contributions.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the Vandalia-Butler City School District's financial situation as a whole and also give a detailed view of the District's financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column.

REPORTING THE DISTRICT AS A WHOLE

The analysis of the District as a whole begins with the Statement of Net Assets and the Statement of Activities. These reports provide information that will help the reader to determine whether the District is financially improving or declining as a result of the year's financial activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes to those assets. This change informs the reader whether the District's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account non-financial factors that also impact the District's financial well-being. Some of these factors include the District's tax base, current property tax laws in Ohio restricting revenue growth, the condition of capital assets, and required educational programs.

In the Statement of Net Assets and the Statement of Activities, the District has only one kind of activity.

- Governmental Activities. All of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, non-instructional services, and extracurricular activities.

Vandalia-Butler City School District
Vandalia, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the District's funds begins on page 6. Fund financial statements provide detailed information about the District's major funds – not the District as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the District is meeting legal responsibilities for use of grants. The Vandalia-Butler City School District's only major fund is the General fund.

Governmental Funds. All of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds. Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The School District's fiduciary funds are agency funds which are used to maintain financial activity of the School District's Student Managed Activities. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide financial statements.

THE DISTRICT AS A WHOLE

As stated previously, the Statement of Net Assets provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for 2006 compared to 2005.

Table 1 Net Assets		2006	2005
Assets:			
Current Assets		\$35,524,424	\$37,191,856
Capital Assets, Net		4,620,973	4,864,456
Total Assets		40,145,397	42,056,312
Liabilities:			
Current and Other Liabilities		25,189,714	25,508,263
Long-Term Liabilities		2,569,072	3,458,215
Total Liabilities		27,758,786	28,966,478
Net Assets:			
Invested in Capital Assets, Net of Related Debt		3,964,866	3,911,791
Restricted		1,431,340	1,428,267
Unrestricted		6,990,405	7,749,776
Total Net Assets		\$12,386,611	\$13,089,834

Total net assets of the District, as a whole, decreased \$703,223. The decrease in long-term liabilities is due primarily to the decrease in compensated absences payable. The decrease in current assets is due to the decrease in taxes receivable caused by the District no longer receiving tax monies in the bond retirement fund.

Vandalia-Butler City School District
Vandalia, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Table 2 shows the changes in net assets for fiscal years ended June 30, 2006 and June 30, 2005.

Table 2
Change in Net Assets

	2006	2005
Revenues		
Program Revenues:		
Charges for Services and Sales	\$2,148,447	\$1,896,262
Operating Grants and Contributions	2,495,602	2,543,956
Capital Grants and Contributions	0	29,820
Total Program Revenues	4,644,049	4,470,038
General Revenues:		
Property Taxes	21,635,454	21,757,164
Grants and Entitlements	5,682,030	5,559,312
Investment Earnings	582,104	285,612
Miscellaneous	34,531	115,575
Total General Revenues	27,934,119	27,717,663
Total Revenues	32,578,168	32,187,701
Program Expenses		
Instruction		
Regular	14,432,299	13,225,486
Special	3,124,624	2,835,810
Vocational	433,138	361,120
Other	2,015,458	1,951,924
Support Services		
Pupil	2,081,843	2,022,213
Instructional Staff	1,682,870	1,719,059
Board of Education	29,154	48,587
Administration	1,869,063	1,752,783
Business and Fiscal	1,082,477	827,939
Operation of Maintenance of Plant	2,696,638	2,479,785
Pupil Transportation	1,375,441	1,212,371
Central	464,177	559,962
Non-Instructional Services	1,289,241	1,235,849
Extracurricular Activities	636,916	647,621
Interest and Fiscal Charges	68,052	95,214
Total Expenses	33,281,391	30,975,723
Net Assets at Beginning of Year	13,089,834	11,877,856
Increase in Net Assets	(703,223)	1,211,978
Net Assets at End of Year	\$12,386,611	\$13,089,834

Governmental Activities

Property taxes comprised 66 percent of revenue for governmental activities of the Vandalia-Butler City School District for fiscal year 2006 and represents the largest source of revenue.

Grants and entitlements comprised 17 percent of revenue for governmental activities during 2006.

As indicated by governmental program expenses, total instruction is emphasized. Total instruction comprised 60 percent of governmental program expenses with support services comprising 34 percent of governmental expenses. The Board of Education relies on taxes to support increased student achievement within the school district.

Vandalia-Butler City School District
Vandalia, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2006 as compared to 2005. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2006		2005	
	Total Cost of Services	Net Cost Of Services	Total Cost of Services	Net Cost of Services
Instruction	\$20,005,519	\$18,914,904	\$18,374,340	\$17,352,660
Support Services	11,281,663	9,354,502	10,622,699	7,880,406
Operation of Non-instructional Services	1,289,241	(16,346)	1,235,849	876,465
Extracurricular Activities	636,916	316,230	647,621	329,507
Interest and Fiscal Charges	68,052	68,052	95,214	66,647
Total Expenses	\$33,281,391	\$28,637,342	\$30,975,723	\$26,505,685

THE DISTRICT'S FUNDS

Information about the District's major governmental fund begins on page 12. This fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$33,336,887 and expenditures and other financing uses of \$34,609,056.

The fund balance of the General Fund decreased by \$1,244,735. Even with passage of a 5.5 mill operating levy, general fund balances for each of the next five years will continue to decline unless further levies are passed by the residents of the district. Current projections show the District with a deficit general fund balance in fiscal year 2009.

General Fund Budgeting Highlights

The District's budget is adopted on a fund basis. Before the budget is adopted, the Board of Education reviews the detailed work papers of each object within the General Fund and then adopts the budget on a fund basis.

During the course of the fiscal year 2006, the District amended its general fund budget. Actual revenues and other financing sources for the fiscal year 2005 was \$30,110,222. This represents a \$170,453 increase from the final budgeted revenues and a \$1,313,954 increase from the original budgeted revenues which is a result of passing the 5.5 mill operating levy.

The actual budget basis expenditures for fiscal year 2006 totaled \$29,888,263 which was \$1,805,456 less than the final budgeted appropriations which is due primarily to conservative budgeting by the District for instruction costs.

Vandalia-Butler City School District
Vandalia, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2006, the District had \$4,620,973 invested in land, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows the fiscal year 2006 balances compared to 2005. For additional information on capital assets, see Note 9 to the basic financial statements.

Table 4
Capital Assets
(Net of Accumulated Depreciation)

	Governmental Activities	
	2006	2005
Land	\$590,785	\$590,785
Buildings and Improvements	3,442,460	3,708,723
Furniture and Equipment	325,420	375,933
Vehicles	262,308	189,015
Totals	\$4,620,973	\$4,864,456

Changes in capital assets from the prior year resulted from additions and current year depreciation.

Debt

At June 30, 2006 the District had \$500,000 in bonds outstanding with \$250,000 due within one year. Table 5 summarizes the bonds outstanding:

Table 5
Outstanding Debt at Year End
Governmental Activities

	2006	2005
1984 General Obligation Bonds	\$500,000	\$750,000

The General Obligation Bonds were issued March 1, 1984 in the amount of \$5,450,000. The voted general obligation bonds were issued for the purpose of constructing a new Student Activity Center at the high school. The final payment is due in fiscal year 2008. For additional information on debt, see Note 15 to the basic financial statements.

At June 30, 2006 the District's overall legal debt margin was \$65,416,769 with an unvoted debt margin of \$732,408.

FOR THE FUTURE

Vandalia-Butler City Schools continues to improve on student achievement and development of life skills while having achieved "Excellent" as measured by the state of Ohio on the local report card two years in a row. Technology and facilities continue to be major issues of concern for the District as they are limited by current availability of resources. The District is seating a strategic planning committee to address the overall performance of the District and to involve the community in determining how the schools may address its needs in a locally funded, yet state mandated environment.

In correlation with meeting student needs, the school board is determined to plan for long term financial stability. The program based budgeting process used in the district continues to be a useful tool in 2006 for measuring the District's financing of student achievement. By identifying funding at a program level the board of education has been able to make more informed decisions regarding efficient use of resources. Some of the larger successes in maximizing the use of resources include the District's conversion to a consumer driven healthcare model and a very successful severance plan. These two reduction programs are expected to save the District over \$9,000,000 over the next five years.

Vandalia-Butler City School District
Vandalia, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Additionally, the board of education has completed and maintains an extensive 10 year planning schedule detailing the expected resources and expenditures for the district. It is expected the 10 year plan, program based budget, and community collaboration will enable the Vandalia-Butler community to make better informed decisions regarding efficient use of resources for a stable, quality education.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the District's financial condition and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Daniel Schall, Treasurer, Vandalia-Butler City School District, 306 South Dixie Drive, Vandalia, Ohio 45377.

Basic Financial Statements

Vandalia-Butler City School District
Statement of Net Assets
as of June 30, 2006

	Governmental Activities
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$14,588,454
Receivables	
Taxes	20,849,916
Intergovernmental	86,054
Non-Depreciable Capital Assets	590,785
Capital Assets, Net	4,030,188
 <i>Total Assets</i>	 40,145,397
 Liabilities	
Accounts Payable	683,721
Accrued Wages and Benefits	3,054,479
Accrued Interest Payable	6,010
Unearned Revenue	19,149,476
Matured Compensated Absences Payable	1,502,317
Intergovernmental Payable	793,711
Long-Term Liabilities:	
Due Within One Year	635,459
Due In More Than One Year	1,933,613
 <i>Total Liabilities</i>	 27,758,786
 Net Assets	
Invested in Capital Assets, Net of Related Debt	3,964,866
Restricted for:	
Debt Service	643,080
Other Purposes	788,260
Unrestricted	6,990,405
 <i>Total Net Assets</i>	 \$12,386,611

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

Vandalia-Butler City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	<u>Program Revenues</u>		Net (Expense) Revenue and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	
Governmental Activities			
Instruction:			
Regular	\$14,432,299	\$338,195	\$92,447
Special	3,124,624	33,210	592,802
Vocational	433,138	5,415	0
Other	2,015,458	24,546	4,000
Support Services:			
Pupil	2,081,843	75,448	715,842
Instructional Staff	1,682,870	274,315	131,569
Board of Education	29,154	0	0
Administration	1,869,063	22,742	16,349
Business and Fiscal	1,082,477	12,995	0
Operation and Maintenance of Plant	2,696,638	36,376	0
Pupil Transportation	1,375,441	15,883	584,698
Central	464,177	5,054	35,890
Non-Instructional Services	1,289,241	983,582	322,005
Extracurricular Activities	636,916	320,686	0
Interest and Fiscal Charges	68,052	0	0
Total Governmental Activities	<u>\$33,281,391</u>	<u>\$2,148,447</u>	<u>\$2,495,602</u>

General Revenues

Property Taxes Levied for:	
General Purposes	21,635,454
Grants and Entitlements not Restricted to Specific Programs	5,682,030
Investment Earnings	582,104
Miscellaneous	34,531
Total General Revenues	<u>27,934,119</u>
Change in Net Assets	(703,223)
Net Assets Beginning of Year	<u>13,089,834</u>
Net Assets End of Year	<u>\$12,386,611</u>

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

Vandalia-Butler City School District

Balance Sheet

Governmental Funds

as of June 30, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$12,673,660	\$1,914,794	\$14,588,454
Receivables :			
Taxes	20,849,916	0	20,849,916
Intergovernmental	0	86,054	86,054
Interfund Receivable	91,152	0	91,152
Total Assets	<u>\$33,614,728</u>	<u>\$2,000,848</u>	<u>\$35,615,576</u>
LIABILITIES			
Accounts Payable	\$595,838	\$87,883	\$683,721
Accrued Wages and Benefits	2,891,793	162,686	3,054,479
Matured Compensated Absences	1,502,317	0	1,502,317
Deferred Revenues	20,011,370	4,667	20,016,037
Interfund Payable	0	91,152	91,152
Intergovernmental Payable	687,243	106,468	793,711
Total Liabilities	<u>25,688,561</u>	<u>452,856</u>	<u>26,141,417</u>
FUND BALANCES			
Reserved for Encumbrances	747,333	306,865	1,054,198
Reserved for Property Taxes	838,546	0	838,546
Unreserved			
Undesignated - Reported In			
General Fund	6,340,288	0	6,340,288
Special Revenue Funds	0	598,047	598,047
Debt Service Fund	0	643,080	643,080
Total Fund Balances	<u>7,926,167</u>	<u>1,547,992</u>	<u>9,474,159</u>
Total Liabilities and Fund Balances	<u>\$33,614,728</u>	<u>\$2,000,848</u>	<u>\$35,615,576</u>

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

Vandalia-Butler City School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2006

Total Governmental Fund Balances \$ 9,474,159

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 4,620,973

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Taxes	861,894	
Intergovernmental	4,667	

Total 866,561

Long-Term Liabilities, including bonds, capital lease obligations, and the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.

Compensated Absences	(1,912,965)	
Interest Payable	(6,010)	
Capital Lease Obligations	(156,107)	
General Obligation Bonds	(500,000)	

Total (2,575,082)

Net Assets of Governmental Activities \$ 12,386,611

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

Vandalia-Butler City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

For the Fiscal Year Ended June 30, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$22,050,412	\$0	\$22,050,412
Tuition and Fees	312,229	168,396	480,625
Earnings on Investments	534,194	47,910	582,104
Intergovernmental	6,476,757	1,714,812	8,191,569
Charges for Services	48,748	980,113	1,028,861
Extracurricular	0	638,961	638,961
Gifts and Donations	0	2,617	2,617
Other	19,684	14,847	34,531
Total Revenues	<u>29,442,024</u>	<u>3,567,656</u>	<u>33,009,680</u>
Expenditures			
Current Operating			
Instruction			
Regular	14,542,630	286,331	14,828,961
Special	2,799,995	426,995	3,226,990
Vocational	434,558	0	434,558
Other	2,010,751	5,000	2,015,751
Pupil Support Services	1,515,911	636,881	2,152,792
Instructional Support Services	1,446,600	278,602	1,725,202
Board of Education	29,154	0	29,154
Administration	1,857,656	14,925	1,872,581
Business and Fiscal Services	1,121,730	0	1,121,730
Operation and Maintenance of Plant Services	2,766,647	8,200	2,774,847
Transportation Services-Pupils	1,347,666	0	1,347,666
Central	422,189	37,733	459,922
Extracurricular Activities	0	607,050	607,050
Non-Instructional Services	11,041	1,258,350	1,269,391
Capital Outlay	50,644	0	50,644
Debt Service			
Principal	97,202	250,000	347,202
Interest	6,466	61,586	68,052
Total Expenditures	<u>30,460,840</u>	<u>3,871,653</u>	<u>34,332,493</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,018,816)	(303,997)	(1,322,813)
Other Financing Sources (Uses)			
Inception of Capital Lease	50,644	0	50,644
Transfers In	0	276,563	276,563
Transfers Out	(276,563)	0	(276,563)
Total Other Financing Sources (Uses)	<u>(225,919)</u>	<u>276,563</u>	<u>50,644</u>
Net Change in Fund Balances	(1,244,735)	(27,434)	(1,272,169)
Fund Balances at			
Beginning of Year	<u>9,170,902</u>	<u>1,575,426</u>	<u>10,746,328</u>
Fund Balances at End of Year	<u>\$7,926,167</u>	<u>\$1,547,992</u>	<u>\$9,474,159</u>

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

Vandalia-Butler City School District
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds \$ (1,272,169)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Asset Additions	187,363	
Current Year Depreciation	(430,846)	
Total		(243,483)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes	(414,958)	
Intergovernmental	(16,554)	
Total		(431,512)

New lease obligations in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities. (50,644)

Repayment of bond principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities. 250,000

Repayment of capital leases obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities. 97,202

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Decrease in Compensated Absences	592,585	
Decrease in Intergovernmental Payable	354,798	
Total		947,383

Net Change in Net Assets of Governmental Activities \$ (703,223)

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

Vandalia-Butler City School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Non-GAAP Budgetary Basis)
General Fund

For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$23,496,268	\$22,590,000	\$22,718,610	\$128,610
Intergovernmental	4,644,022	6,440,092	6,476,757	36,665
Earnings on Investments	383,033	531,170	534,194	3,024
Tuition and Fees	223,877	310,461	312,229	1,768
Rent	34,954	48,472	48,748	276
Other	11,606	16,094	16,186	92
Total Revenues	28,793,760	29,936,289	30,106,724	170,435
EXPENDITURES:				
Current:				
Instruction:				
Regular	14,169,468	14,255,502	13,569,444	686,058
Special	2,552,915	2,550,594	2,683,049	(132,455)
Vocational	353,463	353,463	400,108	(46,645)
Other	2,387,036	2,379,936	1,916,246	463,690
Support Services:				
Pupil Support Services	1,855,142	1,874,457	1,598,514	275,943
Instructional Support Services	1,544,959	1,468,820	1,438,130	30,690
Board of Education	69,279	69,279	216,076	(146,797)
Administration	2,018,120	2,016,551	1,817,162	199,389
Business and Fiscal Services	1,150,282	1,503,094	1,175,533	327,561
Operation and Maintenance of Plant Services	3,506,529	3,192,529	3,167,510	25,019
Transportation Services - Pupils	1,293,836	1,413,836	1,380,638	33,198
Central	611,788	615,658	525,853	89,805
Total Expenditures	31,512,817	31,693,719	29,888,263	1,805,456
Excess of Revenues Over (Under) Expenditures	(2,719,057)	(1,757,430)	218,461	1,975,891
OTHER FINANCING SOURCES (USES):				
Proceeds from Sale of Assets	2,508	3,480	3,498	18
Transfers Out	0	0	(276,563)	(276,563)
Total Other Financing Sources (Uses)	2,508	3,480	(273,065)	(276,545)
Net Change in Fund Balance	(2,716,549)	(1,753,950)	(54,604)	1,699,346
Fund Balance at Beginning of Year	10,855,128	10,855,128	10,855,128	0
Prior Year Encumbrances Appropriated	880,588	880,588	880,588	0
Fund Balance at End of Year	\$9,019,167	\$9,981,766	\$11,681,112	\$1,699,346

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

Vandalia-Butler City School District

Statement of Fiduciary Assets and Liabilities

Agency Fund

As of June 30, 2006

	<u>Agency</u>
ASSETS	
Equity in Pooled Cash and Cash Equivalents	<u>\$83,396</u>
Total Assets	<u><u>83,396</u></u>
 LIABILITIES	
Due to Students	<u>83,396</u>
Total Liabilities	<u><u>\$83,396</u></u>

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

VANDALIA-BUTLER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

1. DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

The School District

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the School District's nine instructional/support facilities staffed by 139 non-certified and 271 certificated full time teaching personnel who provide services to 3,434 students and other community members.

Reporting Entity

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

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the School District in that the School District approves the organization's budget, the issuance of its debt or the levying of its taxes. Currently, the School District does not have any component units.

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

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

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

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

VANDALIA-BUTLER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District is associated with the Southwestern Ohio Educational Purchasing Council, the Metropolitan Dayton Education Computer Association, the Miami Valley Career Technology Center, and the Southwestern Ohio Instructional Technology Association, which are defined as jointly governed organizations and the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), which is an insurance purchasing pool. These organizations are discussed in Notes 17 and 18 to the financial statements.

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

Fund Accounting

The School District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific School District's functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the School District's major governmental fund:

General Fund

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

The other governmental funds of the School District account for grants and other resources, debt service, and capital projects, whose use is restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. The District's only agency funds are funds used to account for student-managed activities.

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

VANDALIA-BUTLER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements – During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the full accrual economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The Statement of Activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for fiduciary funds. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

VANDALIA-BUTLER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes available as an advance, investment earnings, tuition, grants, and fees.

Unearned/Deferred Revenue

Unearned/Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as unearned/deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned/deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt and capital lease obligations, which is recorded when due, (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities as payments come due each period upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

VANDALIA-BUTLER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process

All funds, other than the agency funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2006.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amount reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

The School District did not adopt annual budgets for the following funds: Textbooks/Instruction Materials Subsidy and ESEA Title II.

Encumbrances

Encumbrance accounting is utilized by the School District for all 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 a commitment for a future expenditure and does not represent a liability. On the fund financial statements encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds. A reserve for encumbrances is not reported on the government-wide financial statements. Encumbrances are reported as part of expenditures on a non-GAAP budgetary basis in the Non-GAAP budgetary basis financial statements.

Cash and Investments

Cash received by the School District is deposited into one of several bank accounts with individual fund balance integrity maintained. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. All investment earnings accrue to the General Fund except those specifically related to those funds deemed appropriate according to Board of Education policy. Interest earned amounted to \$582,104 in which \$534,194 was recorded in the General Fund and \$47,910 was recorded in the other non-major governmental funds.

The School District records all its investments at fair value. For presentation on the basic financial statements, investments of the cash management pool are considered to be cash equivalents. The School District has invested in the State Treasury Asset Reserve of Ohio (STAR Ohio), Certificates of Deposit, Federal Home Loan Bank Bonds, Federal National Mortgage Association Bonds, and Federal Home Loan Mortgage Corp. Bonds during fiscal year 2006. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2006.

VANDALIA-BUTLER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments (Continued)

Investments with original maturities of three months or less at the time they are purchased by the School District are reported as cash equivalents.

Capital Assets and Depreciation:

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Building and Improvements	10-50 years
Furniture and Equipment	5-20 years
Vehicles	7-15 years

Estimated historical costs for governmental activities capital asset values were initially determined on October 7, 2002 by utilizing the services of Valuation Engineers, Inc. All capital assets had estimated historical costs developed by indexing estimated current costs back to the estimated year of acquisition.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables." These amounts are eliminated in the governmental activities column of the statement of net assets.

VANDALIA-BUTLER CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate its employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive severance benefits and those the School District has identified as probable of receiving payment in the future. The School District records an accrual for sick leave for all employees with ten years or more of service. The accrual amount is based upon accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the School District's severance policy.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements,

In general, governmental fund payables and accrued liabilities, that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgements, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds, long-term loans, and capital leases are recognized as a liability on the government-wide financial statements when due.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net assets restricted for other purposes include activities for food service operations, and federal and state grants restricted to expenditures for specified purposes.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Of the School District's \$1,431,340 restricted net assets, none is restricted by enabling legislation.

Fund Balance Reserves

Reserved fund balances indicate that portion of fund balance, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances and property tax revenue reserved by the Board for future year's appropriations. The reserve for property tax represents taxes recognized as revenue under accounting principles generally accepted in the United States of America but not available for appropriation under State statute. The unreserved, undesignated portions of fund balance reflected for Governmental Funds are available for use within the specific purpose of those funds.

VANDALIA-BUTLER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

Transfers between funds in the fund financial statements are eliminated in the Statement of Activities. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

Estimates

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

3. CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year 2006, the School District implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, and GASB Statement No. 47, *Accounting for Termination Benefits*. GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. GASB Statement No. 44 amends the portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, that guide the preparation of the statistical section. GASB Statement No. 46 requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. GASB Statement No. 47 establishes accounting standards for termination benefits. The application of these new standards did not have a material effect on the financial statements, nor did their implementation require a restatement of prior year balances.

4. COMPLIANCE AND ACCOUNTABILITY

Accountability

The Athletics, Entry Year Program, and Title I special revenue funds had deficit fund balances of \$20,511, \$29,000, and \$80,401, respectively which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur.

Compliance

The following funds had negative cash balances contrary to Ohio Revised Code Section 5705.10:

<u>Nonmajor Special Revenue Funds:</u>	<u>Amount</u>
Athletics	\$12,285
Entry Year Program	29,000
Title I	49,860

VANDALIA-BUTLER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

4. COMPLIANCE AND ACCOUNTABILITY (Continued)

The following funds had appropriations in excess of estimated resources contrary to Ohio Revised Code Section 5705.39:

<u>Nonmajor Special Revenue Funds:</u>	<u>Original</u>	<u>Final</u>
Auxiliary Services	\$50,000	\$151,850
Management Information Systems		5,760
Entry Year Program		35,250
Miscellaneous State Grants		4,420
Special Education	75,550	

The following funds had expenditures in excess of appropriations contrary to Ohio Revised Code Section 5705.41(B):

<u>Nonmajor Special Revenue Funds:</u>	
Food Service	\$19,705
School Net Professional Development	2,926
Title I	68,843
E-Rate	21,190
Title II-A	1,609
Miscellaneous Federal Grants	5,976

5. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) for the General fund 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 GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for governmental funds (budget basis) rather than as a reservation of fund balance for governmental funds (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General fund:

Net Change in Fund Balance	
	<u>General</u>
GAAP Basis	(\$1,244,735)
Adjustments:	
Revenue Accruals	617,554
Expenditure Accruals	1,663,123
Encumbrances	<u>(1,090,546)</u>
Budget Basis	<u><u>(\$54,604)</u></u>

VANDALIA-BUTLER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

6. DEPOSITS AND INVESTMENTS

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

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

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

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

Interim monies can 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. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio; and

VANDALIA-BUTLER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

6. DEPOSITS AND INVESTMENTS (Continued)

10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's total average portfolio.

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

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 School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand

At year end, the School District had \$10,250 in undeposited cash on hand which is included on the basic financial statements of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures as of June 30, 2006, \$1,560,066 of the School District's bank balance of \$2,649,300 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least on hundred five percent of the deposits being secured.

VANDALIA-BUTLER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

6. DEPOSITS AND INVESTMENTS (Continued)

Investments

The School District had the following investments at June 30, 2006:

	Fair Value	< 1 Year	1-2 Years	3-5 Years
Federal Home Loan Bank	\$6,813,171	\$2,655,327	\$2,747,834	\$1,410,010
Federal National Mort. Assn.	2,307,246	1,207,246	0	1,100,000
Federal Home Loan Mortgage	744,037	744,037	0	0
STAR Ohio	1,640,932	1,640,932	0	0
Total Investments	<u>\$11,505,386</u>	<u>\$6,247,542</u>	<u>\$2,747,834</u>	<u>\$2,510,010</u>

Interest rate risk – As a means of limiting its exposure to fair value losses caused by rising interest rates, the District attempts, to the extent possible to match investments with anticipated cash flow requirements. Unless matched to a specific obligation or debt of the District, the District will not directly invest in securities maturing more than five years from the date of investment.

Credit Risk –Credit risk is the risk that an issuer or other counterparty to an investments will not fulfill its obligations. The District limits their investments to STAR Ohio, Federal Home Loan Bank Bonds, Federal National Mortgage Association Bonds, and Federal Home Loan Mortgage Corp. Bonds. Investments in STAR Ohio were rated AAAM by Standard & Poor’s. Investments in Federal Home Loan Bank Bonds, Federal National Mortgage Association, and Federal Home Loan Mortgage Corp. Bonds were rated AAA by Standard & Poor’s and Aaa by Moody’s.

Concentration of credit risk – The District does not have an investment policy which limits investments to STAR Ohio, Securities of Federal Agency’s and Certificates of Deposit. The District has invested 59% in Federal Home Loan Bank Bonds, 20% in Federal National Mortgage Association Bonds, 7% in Federal Home Loan Mortgage Bonds, and the remaining 14% in STAR Ohio.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District.

The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2006 for real and public utility property taxes represents collections of calendar 2005 taxes. Property tax payments received during calendar 2006 for tangible personal property (other than public utility property) are for calendar 2006 taxes.

2006 real property taxes are levied after April 1, 2006, on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2006 real property taxes are collected in and intended to finance fiscal year 2007.

VANDALIA-BUTLER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

7. PROPERTY TAXES (Continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2006 public utility property taxes became a lien December 31, 2005, are levied after April 1, 2006 and are collected in 2007 with real property taxes.

2006 tangible personal property taxes are levied after April 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which fiscal year 2006 taxes were collected are:

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$563,332,270	83%	\$611,752,130	83%
Public Utility	17,155,580	3%	19,648,530	3%
Tangible Personal Property	100,759,655	14%	101,007,884	14%
Total Assessed Value	<u>\$681,247,505</u>	<u>100.00%</u>	<u>\$732,408,544</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$52.69		\$52.69	

The School District receives property taxes from Montgomery County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006 are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2006, and for which there is an enforceable legal claim.

Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

At June 30, 2006, \$838,546 was available as an advance to the general fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis, the revenue is deferred.

VANDALIA-BUTLER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

8. RECEIVABLES

Receivables at June 30, 2006, consisted of property taxes and intergovernmental grants. All receivables are considered collectible in full and will be received within one year. A summary of the principal items of intergovernmental receivables follows:

Non-major Funds:	
Title I	\$ 13,767
Drug Free Schools	11,009
Title II-A	37,001
Misc. Federal Grants	4,667
Special Education	<u>19,610</u>
Total Intergovernmental Receivables	<u>\$ 86,054</u>

9. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2006, was as follows:

	Ending Balance 06/30/05	Additions	Deletions	Ending Balance 06/30/06
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$590,785	\$0	\$0	\$590,785
Total Capital Assets, Not Being Depreciated	<u>590,785</u>	<u>0</u>	<u>0</u>	<u>590,785</u>
Capital Assets Being Depreciated				
Buildings and Improvements	13,414,461	37,737	0	13,452,198
Furniture and Equipment	1,524,102	18,326	0	1,542,428
Vehicles	1,918,062	131,300	0	2,049,362
Total Capital Assets, Being Depreciated	<u>16,856,625</u>	<u>187,363</u>	<u>0</u>	<u>17,043,988</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(9,705,738)	(304,000)	0	(10,009,738)
Furniture and Equipment	(1,148,169)	(68,839)	0	(1,217,008)
Vehicles	(1,729,047)	(58,007)	0	(1,787,054)
Total Accumulated Depreciation	<u>(12,582,954)</u>	<u>(430,846)</u>	<u>0</u>	<u>(13,013,800)</u>
Total Capital Assets Being Depreciated, Net	<u>4,273,671</u>	<u>(243,483)</u>	<u>0</u>	<u>4,030,188</u>
Governmental Activities Capital Assets, Net	<u>\$4,864,456</u>	<u>\$(243,483)</u>	<u>\$0</u>	<u>\$4,620,973</u>

VANDALIA-BUTLER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

9. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$271,320
Support Services:	
Pupil	1,818
Instructional Staff	5,304
Administration	11,808
Operation and Maintenance of Plant	22,995
Pupil Transportation	71,596
Central	9,982
Non-Instructional Services	3,751
Extracurricular Activities	32,272
Total Depreciation Expense	<u>\$430,846</u>

10. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. For fiscal year 2006 the School District contracted with Utica National Insurance Group for general liability insurance. There is a \$5,000 deductible with a one hundred percent blanket, all risk policy. Utica National Insurance Group covers the building, boiler and machinery with \$5,000 deductible and a \$63,654,861 limit.

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

For fiscal year 2006, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all Districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

VANDALIA-BUTLER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

11. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by contacting SERS, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's contributions to SERS for the fiscal years ending June 30, 2006, 2005 and 2004 were \$340,522, \$358,876, and \$511,441 respectively, 46 percent has been contributed for fiscal year 2006, and 100 percent for the fiscal years 2005 and 2004. \$184,990 representing the unpaid contribution for fiscal year 2006, is recorded as a liability within the respective funds.

State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system 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. Chapter 3307 of the Ohio Revised Code establishes benefits. 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, Ohio 43215-3371 or by calling (614)227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions in to the DC plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

VANDALIA-BUTLER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

11. DEFINED BENEFIT PENSION PLANS (Continued)

The DB Plan Benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

The DC Plan Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designed beneficiary is entitled to receive the member’s account balance.

Member contributions for the Combined Plan Benefits are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio’s public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (SRP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years’ credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members’ beneficiaries.

VANDALIA-BUTLER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

11. DEFINED BENEFIT PENSION PLANS (Continued)

For fiscal year 2006 plan members were required to contribute 10% of their annual covered salary and the School District was required to contribute 14%; 13% was the portion allocated to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$1,897,531, \$1,894,971, and \$1,776,325 respectively; 83 percent has been contributed for fiscal year 2006 and 100 percent for the fiscal years 2005 and 2004. \$316,453 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2006, three members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

12. POSTEMPLOYMENT BENEFITS

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

STRS retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$146,055 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2006, the healthcare allocation was 3.42%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2006, the minimum pay has been established as \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$195,267.

Net health care costs for the year ending June 30, 2006 were \$158,751,207. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221% of the next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claims costs. The number of participants eligible to receive benefits was 59,492.

VANDALIA-BUTLER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

13. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who are not on a twelve month contract do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to and not to exceed 255 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 58 paid days for certified employees. Classified employees receive twenty-five percent of accrued sick with no maximum paid days.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through the Educational Employees Life Insurance Trust. Administrators receive coverage in the amount of their salary rounded to the nearest \$1,000. The Treasurer receives coverage in the amount of \$200,000 and the Superintendent receives coverage twice their salary. Coverage in the amount of \$30,000 is provided for all certified and non-certified employees. Part time employees are covered for \$15,000.

C. Early Retirement Incentive

The School District has an Early Retirement Incentive program. Participation is open to any employees who are within the retirement range established by SERS or STRS. A qualified certificated employee who retires will be granted a retirement incentive of \$1,000 per year of service with the Board, not to exceed \$20,000. No liability existed at June 30, 2006.

14. CAPITALIZED LEASES – LESSEE DISCLOSURE

During fiscal year 2006, the School District entered into a lease for the purpose of purchasing technology and equipment. In previous fiscal years, the School District entered into an agreement to lease a telephone system and fitness equipment and training materials. The terms of the agreements provide options to purchase the equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 “Accounting for Leases,” which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

The capital assets acquired by the leases have been capitalized in the statement of net assets for governmental activities in the amount of \$561,893 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net assets for governmental activities. Principal payments in fiscal year 2006 totaled \$97,202 in the general fund. Assets under capitalized lease consisting of technology and equipment have not been capitalized since the equipment is individually less than the District’s capitalization threshold of \$5,000.

The asset acquired through the capital lease is as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Assets:			
Telephone System	\$339,953	\$73,632	\$266,321
Fitness Equipment and Training Materials	221,940	155,358	66,582

VANDALIA-BUTLER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

14. CAPITALIZED LEASES – LESSEE DISCLOSURE (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2006:

<u>Fiscal Year Ending June 30,</u>	<u>Total Payments</u>
2007	\$76,534
2008	37,863
2009	31,281
2010	11,536
2011	<u>11,536</u>
Total Minimum Lease Payments	168,750
Less: Amount Representing Interest	<u>(12,643)</u>
Present Value of Minimum Lease Payments	<u><u>\$156,107</u></u>

15. LONG-TERM DEBT AND OTHER OBLIGATIONS

Long-term debt and other obligations at June 30, 2006 and the related transactions for the year then ended are summarized below:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2006</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities:</u>					
General Obligation Bonds:					
School Improvement Bonds 9.75%	\$ 750,000	\$ -	\$ 250,000	\$ 500,000	\$ 250,000
Compensated Absences Payable	2,505,550	1,912,965	2,505,550	1,912,965	314,605
Obligations Under Capital Leases	<u>202,665</u>	<u>50,644</u>	<u>97,202</u>	<u>156,107</u>	<u>70,854</u>
Total Governmental Activities	<u>\$ 3,458,215</u>	<u>\$ 1,963,609</u>	<u>\$ 2,852,752</u>	<u>\$ 2,569,072</u>	<u>\$ 635,459</u>

The General Obligation Bonds were issued March 1, 1984 in the amount of \$5,450,000. The voted general obligation bonds were issued for the purpose of constructing a new Student Activity Center at the high school. The final payment is due in fiscal year 2008. These bonds are paid from property tax receipts of the debt service fund.

At June 30, 2006 the District's overall legal debt margin was \$65,416,769 with an unvoted debt margin of \$732,408.

Compensated absences will be paid from the fund in which the employee's salaries are paid, with the most significant fund being the general fund. The capital lease is paid from the general fund.

VANDALIA-BUTLER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

15. LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

Future Long-term Debt

A summary of the School District's future long-term debt funding requirements as of June 30, 2006 follows:

Fiscal Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2007	250,000	36,563
2008	250,000	12,187
Totals	<u>\$500,000</u>	<u>\$48,750</u>

16. INTERFUND ACTIVITY

Interfund balances at June 30, 2006, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2007 fiscal year:

<u>Interfund Loans</u>	<u>Receivable</u>	<u>Payable</u>
General fund	\$ 91,152	\$ -
Nonmajor Special Revenue Funds		
Athletics	-	12,292
Entry Year Program	-	29,000
Title I	-	49,860
Total Nonmajor Special Revenue Funds	<u>-</u>	<u>91,152</u>
Total Interfund Receivables/Payables	<u>\$ 91,152</u>	<u>\$ 91,152</u>

The amounts due to the general fund are the result of the School District moving unrestricted monies to support grant funds whose grants operate on a reimbursement basis. The general fund will be reimbursed when funds become available in the nonmajor special revenue funds.

Interfund Transfers

The General Fund transferred \$276,563 to the Athletic Special Revenue to support programs and projects.

17. JOINTLY GOVERNED ORGANIZATIONS

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2006, the School District paid \$469,962 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, 1831 Harshman Road, Dayton, Ohio 45424.

VANDALIA-BUTLER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

17. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. All Superintendents except for those from educational service centers vote on the representatives after the nominating committee nominates individuals to run.

One at-large non-public representative is elected by the non-public school SOITA members in the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2006, the School District paid \$4,874 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, 150 East Sixth Street, Franklin, Ohio 45005.

Miami Valley Career Technology Center – The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the fifteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following city and/or exempted village school districts: Carlisle, Miamisburg, Milton-Union, Northmont, Vandalia-Butler, Versailles, Huber Heights, Eaton, Trotwood, Tipp City, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center, one is appointed from the Miami County Educational Service Center, one from the Darke County Educational Service Center, and one from the Preble County Educational Service Center. To obtain financial information write to the Miami Valley Career Technology Center, Debbie Gossett, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

Metropolitan Dayton Education Computer Association – The School District is a member of the Metropolitan Dayton Educational Computer Association (MDECA), which is a computer consortium of area school districts sharing computer resources. MDECA is an association of public school districts in a geographical area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative instructional functions among member districts. The Board of MDECA consists of one representative from each of the participating members. Each member pays an annual membership fee plus any other fees for services performed by the consortium.

18. INSURANCE PURCHASING POOL

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

VANDALIA-BUTLER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

19. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

The following cash basis information describes the change in the year-end set-aside amounts. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2005	\$ -	\$ -
Current year set-aside requirement	500,242	500,242
Prior year carryover	(458,679)	(2,030,232)
Qualifying disbursements	<u>(567,921)</u>	<u>(774,749)</u>
Set-aside reserve balance as of June 30, 2006	<u>\$ (526,358)</u>	<u>\$ (2,304,739)</u>
Required set-aside balances carried forward to FY2007	<u>\$ (526,358)</u>	<u>\$ (2,030,232)</u>

The School District had qualifying disbursements during the year that reduced the set-aside amounts below zero for the textbooks/instructional materials reserve. These extra amounts may be used to reduce the set-aside requirement for future years. The negative amounts are therefore presented as being carried forward to the next fiscal year. During fiscal year 1984, the District issued \$5,450,000 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. Therefore, this negative amount is presented as being carried forward to the next year.

20. CONTINGENT LIABILITIES

Grants

The School 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 would not have a material effect on the overall financial position of the School District at June 30, 2006.

Litigation

The School District is party to various legal proceedings. The District's management is of the opinion that the ultimate outcome of such litigation will not result in a material adverse effect on the District's financial position.

**COMBINING AND
INDIVIDUAL FUND
FINANCIAL
STATEMENTS AND
SCHEDULES**

**Vandalia-Butler City School District
Fund Descriptions**

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or for major capital projects) that are legally restricted to expenditure for specified purposes. The following are descriptions of the School District's nonmajor special revenue funds:

Nonmajor Special Revenue Funds

Food Service

A fund to account for all transactions related to the provision of food service operations for the School District.

Special Trust

A fund used to account for revenues and expenditures of the Gilbert Scholarship.

Uniform School Supply

A fund to account for the purchase and reimbursement of consumable supplies (workbooks) used by the students as a supplemental learning tool.

Adult Education

A fund provided to account for all revenues and expenditures related to the provision of credit and non-credit classes to the community.

Rotary - Special Services

A fund to account for revenue and expenditures made in connection with goods and services provided by a school district.

Public School Support

A fund provided to account for special local revenue sources such as vending machine receipts. Revenues are used to fund special events and purchase achievement awards.

Other Grants

A fund used to account for the proceeds of specific revenue sources, except for state and federal grants that are legally restricted to expenditures for specified purposes.

Latchkey

A fund established to account for the tuition received and expenses made in securing an after-school latchkey program for students of the School District.

Athletics

A fund provided to account for those student activity programs which charge admission. Most expenditures include referee and security compensations, equipment and supplies needed to run a successful athletic program.

Auxiliary Services

To account for monies which provide services and materials to pupils attending non-public schools within the School District.

Vandalia-Butler City School District
Fund Descriptions

Nonmajor Special Revenue Funds (Continued)

Management Information Systems

A fund to account for hardware and software development, utilities, materials and supplies, or other costs associated with the requirements of the management information system.

Entry Year Program

A fund to account for the implementation of entry-year programs pursuant to division (T) of section 3317.024 of the Revised Code.

Ohio Educational Computer Network

A fund provided to account for money appropriated for Ohio Educational Computer Network Connections.

School Net Professional Development

A fund to account for grant monies to be used for the provision of hardware, software, telecommunication services, and staff development to support educational uses of technology in the classroom.

Textbook/Instructional Materials Subsidy

A fund used to account for monies appropriated to purchase textbooks and instructional materials for the classrooms.

Interactive Video Learning

A fund used to account for State money used to finance the interactive video distance learning project.

Ohio Reads

A fund used to account for monies received from the State of Ohio for the purpose of implementing community involvement with students in the elementary grades to supplement and enhance the reading proficiency of students.

Summer Intervention

A fund used to account for summer intervention services satisfying criteria defined in division (E) of section 3313.608 of the Revised Code.

Miscellaneous State Grants

A fund used to account for various monies received from state agencies which are not classified elsewhere. A separate special cost center must be used for each grant.

Vandalia-Butler City School District
Fund Descriptions

Nonmajor Special Revenue Funds (Continued)

ESEA Title II

This fund is to account for Federal monies received through the Ohio Department of Education for the purpose of improving the skills of teachers (science, foreign language and computer learning) and increasing the access of all students to that instruction.

Special Education

This fund accounts for federal funds for the provision of full educational opportunities to handicapped children at the preschool, elementary and secondary levels, and to assist in the training of teacher, supervisors and other specialists in providing educational services to the handicapped.

Title I

A fund to provide financial assistance to State and Local educational agencies to meet the special needs of educationally deprived children.

Education Career Incentive Act (ECIA) - Title V

A fund to account for federal funds used to provide programs for at-risk students; instructional materials to improve the quality of instruction; programs of professional development; and programs to enhance personal excellence of students and student achievement.

Drug-Free Schools

A fund to provide monies to local educational agencies and consortia of these agencies to establish, operate and improve local programs of drug abuse prevention, early intervention, rehabilitation referral and education in elementary and secondary schools, and to engage in development, training, technical assistance and coordination activities.

Preschool Handicapped Grant

A fund used to provide for the education of handicapped children ages three through five, and account for the monies received and expended for the purpose of this grant.

Telecommunications Act Grant (E-Rate)

To account for monies refunded from telecommunications vendors. This money will be used to pay future telecommunications bills or will be transferred to the General Fund.

Title II-A

A fund used to account for monies to hire additional classroom teachers in grades 1 through 3, so that the number of students per teacher will be reduced.

Miscellaneous Federal Grants

A fund used to account for various monies received through state agencies from the federal government or directly from the federal government which are not classified elsewhere. A separate special cost center must be used for each grant.

**Vandalia-Butler City School District
Fund Descriptions**

Nonmajor Debt Service Fund

The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, general obligations bond principal and interest and certain other long-term obligations when the School District is obligated for the payment. There is only one debt service fund.

Vandalia-Butler City School District
Combining Balance Sheet
Nonmajor Governmental Funds (by fund type)

June 30, 2006

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Total Non-major Governmental Funds
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$1,271,714	\$643,080	\$1,914,794
Receivables			
Intergovernmental	86,054	0	86,054
Total Assets	1,357,768	643,080	2,000,848
LIABILITIES			
Accounts Payable	87,883	0	87,883
Accrued Wages and Benefits	162,686	0	162,686
Interfund Payable	91,152	0	91,152
Deferred Revenues	4,667	0	4,667
Intergovernmental Payable	106,468	0	106,468
Total Liabilities	452,856	0	452,856
FUND BALANCES			
Reserved for Encumbrances	306,865	0	306,865
Unreserved			
Undesignated - Reported In			
Special Revenue Funds	598,047	0	598,047
Debt Service Fund	0	643,080	643,080
Total Fund Balances	904,912	643,080	1,547,992
Total Liabilities and Fund Balances	\$1,357,768	\$643,080	\$2,000,848

Vandalia-Butler City School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds (by fund type)

Year Ended June 30, 2006

	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Debt Service Fund</u>	<u>Total Non-major Governmental Funds</u>
Revenues			
Tuition and Fees	\$168,396	\$0	\$168,396
Earnings on Investments	47,910	0	47,910
Intergovernmental	1,714,812	0	1,714,812
Extracurricular	638,961	0	638,961
Gifts and Donations	2,617	0	2,617
Charges for Services	980,113	0	980,113
Other	14,847	0	14,847
Total Revenues	<u>3,567,656</u>	<u>0</u>	<u>3,567,656</u>
Expenditures			
Current Operating			
Instruction			
Regular	286,331	0	286,331
Special	426,995	0	426,995
Other	5,000	0	5,000
Pupil Support Services	636,881	0	636,881
Instructional Support Services	278,602	0	278,602
Administration	14,925	0	14,925
Operation and Maintenance of			
Plant Services	8,200	0	8,200
Central	37,733	0	37,733
Extracurricular Activities	607,050	0	607,050
Non-Instructional Services	1,258,350	0	1,258,350
Debt Service			
Principal	0	250,000	250,000
Interest	0	61,586	61,586
Total Expenditures	<u>3,560,067</u>	<u>311,586</u>	<u>3,871,653</u>
Excess of Revenues Over (Under) Expenditures	7,589	(311,586)	(303,997)
Other Financing Sources			
Transfers In	276,563	0	276,563
Total Other Financing Sources	<u>276,563</u>	<u>0</u>	<u>276,563</u>
Net Change in Fund Balances	284,152	(311,586)	(27,434)
Fund Balances at Beginning of Year	620,760	954,666	1,575,426
Fund Balances at End of Year	<u>\$904,912</u>	<u>\$643,080</u>	<u>\$1,547,992</u>

Vandalia-Butler City School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2006

	Food Service	Special Trust	Uniform School Supply	Adult Education
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$211,964	\$14,215	\$166,408	\$5,153
Intergovernmental Receivable	0	0	0	0
<i>Total Assets</i>	\$211,964	\$14,215	\$166,408	\$5,153
 <u>Liabilities and Fund Balances:</u>				
<u>Liabilities</u>				
Accounts Payable	\$0	\$0	\$196	\$0
Accrued Wages and Benefits	65,311	0	0	0
Deferred Revenues	0	0	0	0
Intergovernmental Payable	68,061	0	0	0
Interfund Payable	0	0	0	0
<i>Total Liabilities</i>	133,372	0	196	0
 <u>Fund Balances:</u>				
Reserved for Encumbrances	13,446	2,005	35,814	0
Unreserved, Undesignated	65,146	12,210	130,398	5,153
<i>Total Fund Balances</i>	78,592	14,215	166,212	5,153
<i>Total Liabilities and Fund Balances</i>	\$211,964	\$14,215	\$166,408	\$5,153

<u>Rotary - Special Services</u>	<u>Public School Support</u>	<u>Other Grants</u>	<u>Latchkey</u>	<u>Athletics</u>	<u>Auxilliary Services</u>
\$442	\$245,189	\$3	\$82,660	\$0	\$88,272
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$442</u>	<u>\$245,189</u>	<u>\$3</u>	<u>\$82,660</u>	<u>\$0</u>	<u>\$88,272</u>
\$0	\$0	\$0	\$0	\$460	\$37,195
0	0	0	5,490	2,937	13,070
0	0	0	0	0	0
0	0	0	16,259	4,822	2,314
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,292</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>21,749</u>	<u>20,511</u>	<u>52,579</u>
0	32,826	0	4,836	64,537	20,293
<u>442</u>	<u>212,363</u>	<u>3</u>	<u>56,075</u>	<u>(85,048)</u>	<u>15,400</u>
<u>442</u>	<u>245,189</u>	<u>3</u>	<u>60,911</u>	<u>(20,511)</u>	<u>35,693</u>
<u>\$442</u>	<u>\$245,189</u>	<u>\$3</u>	<u>\$82,660</u>	<u>\$0</u>	<u>\$88,272</u>

(Continued)

Vandalia-Butler City School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2006
 (continued)

	Management Information Systems	Entry Year Program	Ohio Educational Computer Network
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$29,804	\$0	\$25,499
Intergovernmental Receivable	0	0	0
<i>Total Assets</i>	<u>\$29,804</u>	<u>\$0</u>	<u>\$25,499</u>
<u>Liabilities and Fund Balances:</u>			
<u>Liabilities</u>			
Accounts Payable	\$23,934	\$0	\$0
Accrued Wages and Benefits	0	0	0
Deferred Revenues	0	0	0
Intergovernmental Payable	0	0	0
Interfund Payable	0	29,000	0
<i>Total Liabilities</i>	<u>23,934</u>	<u>29,000</u>	<u>0</u>
<u>Fund Balances:</u>			
Reserved for Encumbrances	1,454	0	0
Unreserved, Undesignated	4,416	(29,000)	25,499
<i>Total Fund Balances</i>	<u>5,870</u>	<u>(29,000)</u>	<u>25,499</u>
 <i>Total Liabilities and Fund Balances</i>	 <u>\$29,804</u>	 <u>\$0</u>	 <u>\$25,499</u>

<u>School Net Professional Development</u>	<u>Textbook/ Instructional Materials Subsidy</u>	<u>Interactive Video Learning</u>	<u>Ohio Reads</u>	<u>Summer Intervention</u>
\$5,422	\$73	\$3,011	\$497	\$15,381
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$5,422</u>	<u>\$73</u>	<u>\$3,011</u>	<u>\$497</u>	<u>\$15,381</u>
\$0	\$0	\$0	\$0	\$0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	8,244
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,244</u>
476	0	0	0	0
<u>4,946</u>	<u>73</u>	<u>3,011</u>	<u>497</u>	<u>7,137</u>
<u>5,422</u>	<u>73</u>	<u>3,011</u>	<u>497</u>	<u>7,137</u>
<u>\$5,422</u>	<u>\$73</u>	<u>\$3,011</u>	<u>\$497</u>	<u>\$15,381</u>

(Continued)

Vandalia-Butler City School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2006
 (continued)

	Miscellaneous State Grants	ESEA Title II	Special Education	Title I
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,329	\$34	\$96,053	\$0
Intergovernmental Receivable	0	0	19,610	13,767
<i>Total Assets</i>	<u>\$1,329</u>	<u>\$34</u>	<u>\$115,663</u>	<u>\$13,767</u>
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities</u>				
Accounts Payable	\$0	\$0	\$0	\$0
Accrued Wages and Benefits	0	0	34,168	41,710
Deferred Revenues	0	0	0	0
Intergovernmental Payable	0	0	4,170	2,598
Interfund Payable	0	0	0	49,860
<i>Total Liabilities</i>	<u>0</u>	<u>0</u>	<u>38,338</u>	<u>94,168</u>
<u>Fund Balances:</u>				
Reserved for Encumbrances	0	0	0	1,487
Unreserved, Undesignated	1,329	34	77,325	(81,888)
<i>Total Fund Balances</i>	<u>1,329</u>	<u>34</u>	<u>77,325</u>	<u>(80,401)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,329</u>	<u>\$34</u>	<u>\$115,663</u>	<u>\$13,767</u>

<u>Title V</u>	<u>Drug Free Schools</u>	<u>Preschool Handicapped Grant</u>	<u>E-Rate</u>	<u>Title II-A</u>	<u>Miscellaneous Federal Grants</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$47,374	\$12,504	\$21,026	\$27,720	\$170,455	\$1,226	\$1,271,714
0	11,009	0	0	37,001	4,667	86,054
<u>\$47,374</u>	<u>\$23,513</u>	<u>\$21,026</u>	<u>\$27,720</u>	<u>\$207,456</u>	<u>\$5,893</u>	<u>\$1,357,768</u>
\$11,546	\$0	\$0	\$0	\$14,552	\$0	\$87,883
0	0	0	0	0	0	162,686
0	0	0	0	0	4,667	4,667
0	0	0	0	0	0	106,468
0	0	0	0	0	0	91,152
<u>11,546</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>14,552</u>	<u>4,667</u>	<u>452,856</u>
5,600	0	0	11,385	107,356	5,350	306,865
30,228	23,513	21,026	16,335	85,548	(4,124)	598,047
<u>35,828</u>	<u>23,513</u>	<u>21,026</u>	<u>27,720</u>	<u>192,904</u>	<u>1,226</u>	<u>904,912</u>
<u>\$47,374</u>	<u>\$23,513</u>	<u>\$21,026</u>	<u>\$27,720</u>	<u>\$207,456</u>	<u>\$5,893</u>	<u>\$1,357,768</u>

Vandalia-Butler City School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2006

	Food Service	Special Trust	Uniform School Supply
<u>Revenues:</u>			
Intergovernmental	\$202,555	\$0	\$0
Earnings on Investments	44,100	0	0
Tuition and Fees	0	0	168,396
Extracurricular	0	0	0
Gifts and Donations	0	2,617	0
Charges for Services	735,680	0	0
Other	606	13,112	0
<i>Total Revenues</i>	<u>982,941</u>	<u>15,729</u>	<u>168,396</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	0	0	135,063
Special	0	0	0
Other	0	0	0
Support Services:			
Pupil Support Services	0	2,491	0
Instructional Support Services	0	0	0
Administration	0	0	0
Central	0	12,380	0
Non-Instructional Services	976,179	0	2,240
Operation and Maintenance of Plant Services	0	0	0
Extracurricular Activities	0	0	0
<i>Total Expenditures</i>	<u>976,179</u>	<u>14,871</u>	<u>137,303</u>
Excess of Revenues Over/(Under) Expenditures	6,762	858	31,093
<u>Other Financing Sources:</u>			
Transfers In	0	0	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	6,762	858	31,093
<i>Fund Balances (Deficit) at Beginning of Year</i>	<u>71,830</u>	<u>13,357</u>	<u>135,119</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u><u>\$78,592</u></u>	<u><u>\$14,215</u></u>	<u><u>\$166,212</u></u>

<u>Adult Education</u>	<u>Rotary - Special Services</u>	<u>Public School Support</u>	<u>Other Grants</u>	<u>Latchkey</u>
\$0	\$0	\$0	\$0	\$0
0	0	0	0	0
0	0	0	0	0
0	0	418,548	0	0
0	0	0	0	0
0	0	0	0	244,433
0	0	1,129	0	0
<u>0</u>	<u>0</u>	<u>419,677</u>	<u>0</u>	<u>244,433</u>
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	54,893	0	0
0	0	245,239	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	181,015
0	0	0	0	0
0	0	98,774	0	0
<u>0</u>	<u>0</u>	<u>398,906</u>	<u>0</u>	<u>181,015</u>
0	0	20,771	0	63,418
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	0	20,771	0	63,418
5,153	442	224,418	3	(2,507)
<u>\$5,153</u>	<u>\$442</u>	<u>\$245,189</u>	<u>\$3</u>	<u>\$60,911</u>

(Continued)

Vandalia-Butler City School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2006
(continued)

	<u>Athletics</u>	<u>Auxilliary Services</u>	<u>Management Information Systems</u>	<u>Entry Year Program</u>
<u>Revenues:</u>				
Intergovernmental	\$0	\$229,711	\$11,426	\$750
Earnings on Investments	0	3,810	0	0
Tuition and Fees	0	0	0	0
Extracurricular	220,413	0	0	0
Gifts and Donations	0	0	0	0
Charges for Services	0	0	0	0
Other	0	0	0	0
<i>Total Revenues</i>	<u>220,413</u>	<u>233,521</u>	<u>11,426</u>	<u>750</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	0	55,852	0	29,750
Special	0	26,980	0	0
Other	0	0	0	0
Support Services:				
Pupil Support Services	0	0	0	0
Instructional Support Services	0	8,089	0	0
Administration	0	0	0	0
Central	0	0	22,751	0
Non-Instructional Services	0	97,616	0	0
Operation and Maintenance of Plant Services	8,200	0	0	0
Extracurricular Activities	508,276	0	0	0
<i>Total Expenditures</i>	<u>516,476</u>	<u>188,537</u>	<u>22,751</u>	<u>29,750</u>
Excess of Revenues Over/(Under) Expenditures	(296,063)	44,984	(11,325)	(29,000)
<u>Other Financing Sources:</u>				
Transfers In	<u>276,563</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Other Financing Sources</i>	<u>276,563</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(19,500)	44,984	(11,325)	(29,000)
<i>Fund Balances (Deficit) at Beginning of Year</i>	<u>(1,011)</u>	<u>(9,291)</u>	<u>17,195</u>	<u>0</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u><u>(\$20,511)</u></u>	<u><u>\$35,693</u></u>	<u><u>\$5,870</u></u>	<u><u>(\$29,000)</u></u>

Ohio Educational Computer Network	School Net Professional Development	Textbook/ Instructional Materials Subsidy	Interactive Video Learning
\$18,000	\$8,502	\$0	\$0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
<u>18,000</u>	<u>8,502</u>	<u>0</u>	<u>0</u>
0	3,148	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	2,602	0	0
0	0	0	0
0	0	0	0
0	0	0	0
<u>0</u>	<u>5,750</u>	<u>0</u>	<u>0</u>
18,000	2,752	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
18,000	2,752	0	0
<u>7,499</u>	<u>2,670</u>	<u>73</u>	<u>3,011</u>
<u>\$25,499</u>	<u>\$5,422</u>	<u>\$73</u>	<u>\$3,011</u>

(Continued)

Vandalia-Butler City School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2006
(continued)

	Ohio Reads	Summer Intervention	Miscellaneous State Grants	ESEA Title II
<u>Revenues:</u>				
Intergovernmental	\$4,000	\$709	\$0	\$0
Earnings on Investments	0	0	0	0
Tuition and Fees	0	0	0	0
Extracurricular	0	0	0	0
Gifts and Donations	0	0	0	0
Charges for Services	0	0	0	0
Other	0	0	0	0
<i>Total Revenues</i>	<u>4,000</u>	<u>709</u>	<u>0</u>	<u>0</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	0	47,313	400	0
Special	0	0	0	0
Other	5,000	0	0	0
Support Services:				
Pupil Support Services	0	0	1,250	0
Instructional Support Services	0	0	0	0
Administration	0	0	0	0
Central	0	0	0	0
Non-Instructional Services	0	0	0	0
Operation and Maintenance of Plant Services	0	0	0	0
Extracurricular Activities	0	0	0	0
<i>Total Expenditures</i>	<u>5,000</u>	<u>47,313</u>	<u>1,650</u>	<u>0</u>
Excess of Revenues Over/(Under) Expenditures	(1,000)	(46,604)	(1,650)	0
<u>Other Financing Sources:</u>				
Transfers In	0	0	0	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(1,000)	(46,604)	(1,650)	0
<i>Fund Balances (Deficit) at Beginning of Year</i>	<u>1,497</u>	<u>53,741</u>	<u>2,979</u>	<u>34</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$497</u>	<u>\$7,137</u>	<u>\$1,329</u>	<u>\$34</u>

<u>Special Education</u>	<u>Title I</u>	<u>Title V</u>	<u>Drug Free Schools</u>	<u>Preschool Handicapped Grant</u>
\$778,530	\$302,220	\$10,513	\$23,513	\$13,451
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
<u>778,530</u>	<u>302,220</u>	<u>10,513</u>	<u>23,513</u>	<u>13,451</u>
0	0	0	0	0
71,353	328,662	0	0	0
0	0	0	0	0
575,349	0	0	0	2,898
0	19,542	0	0	0
14,925	0	0	0	0
0	0	0	0	0
0	0	1,300	0	0
0	0	0	0	0
0	0	0	0	0
<u>661,627</u>	<u>348,204</u>	<u>1,300</u>	<u>0</u>	<u>2,898</u>
116,903	(45,984)	9,213	23,513	10,553
0	0	0	0	0
0	0	0	0	0
116,903	(45,984)	9,213	23,513	10,553
(39,578)	(34,417)	26,615	0	10,473
<u>\$77,325</u>	<u>(\$80,401)</u>	<u>\$35,828</u>	<u>\$23,513</u>	<u>\$21,026</u>

(Continued)

Vandalia-Butler City School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2006
(continued)

	<u>E-Rate</u>	<u>Title II-A</u>	<u>Miscellaneous Federal Grants</u>	<u>Total Nonmajor Special Revenue Funds</u>
<u>Revenues:</u>				
Intergovernmental	\$19,048	\$91,285	\$599	\$1,714,812
Earnings on Investments	0	0	0	47,910
Tuition and Fees	0	0	0	168,396
Extracurricular	0	0	0	638,961
Gifts and Donations	0	0	0	2,617
Charges for Services	0	0	0	980,113
Other	0	0	0	14,847
<i>Total Revenues</i>	<u>19,048</u>	<u>91,285</u>	<u>599</u>	<u>3,567,656</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	14,805	0	0	286,331
Special	0	0	0	426,995
Other	0	0	0	5,000
Support Services:				
Pupil Support Services	0	0	0	636,881
Instructional Support Services	0	0	5,732	278,602
Administration	0	0	0	14,925
Central	0	0	0	37,733
Non-Instructional Services	0	0	0	1,258,350
Operation and Maintenance of Plant Services	0	0	0	8,200
Extracurricular Activities	0	0	0	607,050
<i>Total Expenditures</i>	<u>14,805</u>	<u>0</u>	<u>5,732</u>	<u>3,560,067</u>
Excess of Revenues Over/(Under) Expenditures	4,243	91,285	(5,133)	7,589
<u>Other Financing Sources:</u>				
Transfers In	0	0	0	276,563
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>276,563</u>
<i>Net Change in Fund Balances</i>	4,243	91,285	(5,133)	284,152
<i>Fund Balances (Deficit) at Beginning of Year</i>	<u>23,477</u>	<u>101,619</u>	<u>6,359</u>	<u>620,760</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$27,720</u>	<u>\$192,904</u>	<u>\$1,226</u>	<u>\$904,912</u>

Vandalia-Bulter City School District

Statement of Changes in
Assets and Liabilities
Agency Fund

Year Ended June 30, 2006

	<u>Balance</u> <u>07/01/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/06</u>
STUDENT MANAGED ACTIVITIES				
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$85,911</u>	<u>\$151,280</u>	<u>\$153,795</u>	<u>\$83,396</u>
Total Assets	<u>\$ 85,911</u>	<u>\$ 151,280</u>	<u>\$ 153,795</u>	<u>\$ 83,396</u>
Liabilities				
Due to Students	<u>85,911</u>	<u>151,280</u>	<u>153,795</u>	<u>83,396</u>
Total Liabilities	<u>\$ 85,911</u>	<u>\$ 151,280</u>	<u>\$ 153,795</u>	<u>\$ 83,396</u>

Vandalia-Butler City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
(Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Food Service				
Total Revenues and Other Sources	\$900,000	\$1,000,000	\$1,008,083	\$8,083
Total Expenditures and Other Uses	908,103	908,103	927,808	(19,705)
Net Change in Fund Balance	(8,103)	91,897	80,275	(11,622)
Fund Balance, July 1	110,137	110,137	110,137	0
Prior Year Encumbrances Appropriated	8,103	8,103	8,103	0
Fund Balance, June 30	<u>\$110,137</u>	<u>\$210,137</u>	<u>\$198,515</u>	<u>(\$11,622)</u>
Special Trust				
Total Revenues and Other Sources	\$20,200	\$13,994	\$15,729	\$1,735
Total Expenditures and Other Uses	24,527	24,527	18,203	6,324
Net Change in Fund Balance	(4,327)	(10,533)	(2,474)	8,059
Fund Balance, July 1	13,358	13,358	13,358	0
Prior Year Encumbrances Appropriated	1,327	1,327	1,327	0
Fund Balance, June 30	<u>\$10,358</u>	<u>\$4,152</u>	<u>\$12,211</u>	<u>\$8,059</u>
Uniform School Supply				
Total Revenues and Other Sources	\$178,654	\$166,237	\$168,396	\$2,159
Total Expenditures and Other Uses	254,665	254,665	197,780	56,885
Net Change in Fund Balance	(76,011)	(88,428)	(29,384)	59,044
Fund Balance, July 1	135,119	135,119	135,119	0
Prior Year Encumbrances Appropriated	24,665	24,665	24,665	0
Fund Balance, June 30	<u>\$83,773</u>	<u>\$71,356</u>	<u>\$130,400</u>	<u>\$59,044</u>

Vandalia-Butler City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
(Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original	Final		
Adult Education				
Total Revenues and Other Sources	\$0	\$0	\$0	\$0
Total Expenditures and Other Uses	0	0	0	0
Net Change in Fund Balance	0	0	0	0
Fund Balance, July 1	5,153	5,153	5,153	0
Prior Year Encumbrances Appropriated	0	0	0	0
Fund Balance, June 30	<u>\$5,153</u>	<u>\$5,153</u>	<u>\$5,153</u>	<u>\$0</u>
Rotary - Special Services				
Total Revenues and Other Sources	\$0	\$0	\$0	\$0
Total Expenditures and Other Uses	0	0	0	0
Net Change in Fund Balance	0	0	0	0
Fund Balance, July 1	443	443	443	0
Prior Year Encumbrances Appropriated	0	0	0	0
Fund Balance, June 30	<u>\$443</u>	<u>\$443</u>	<u>\$443</u>	<u>\$0</u>
Public School Support				
Total Revenues and Other Sources	\$383,250	\$407,237	\$419,677	\$12,440
Total Expenditures and Other Uses	575,334	475,334	447,066	28,268
Net Change in Fund Balance	(192,084)	(68,097)	(27,389)	40,708
Fund Balance, July 1	224,418	224,418	224,418	0
Prior Year Encumbrances Appropriated	15,334	15,334	15,334	0
Fund Balance, June 30	<u>\$47,668</u>	<u>\$171,655</u>	<u>\$212,363</u>	<u>\$40,708</u>

Vandalia-Butler City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
(Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget: Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Other Grants				
Total Revenues and Other Sources	\$0	\$0	\$0	\$0
Total Expenditures and Other Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance, July 1	3	3	3	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30	<u>\$3</u>	<u>\$3</u>	<u>\$3</u>	<u>\$0</u>
Latchkey				
Total Revenues and Other Sources	\$300,000	\$225,926	\$244,433	\$18,507
Total Expenditures and Other Uses	<u>178,085</u>	<u>178,085</u>	<u>172,431</u>	<u>5,654</u>
Net Change in Fund Balance	121,915	47,841	72,002	24,161
Fund Balance, July 1	2,736	2,736	2,736	0
Prior Year Encumbrances Appropriated	<u>3,085</u>	<u>3,085</u>	<u>3,085</u>	<u>0</u>
Fund Balance, June 30	<u>\$127,736</u>	<u>\$53,662</u>	<u>\$77,823</u>	<u>\$24,161</u>
Athletics				
Total Revenues and Other Sources	\$880,000	\$620,044	\$496,976	(\$123,068)
Total Expenditures and Other Uses	<u>336,165</u>	<u>611,165</u>	<u>592,635</u>	<u>18,530</u>
Net Change in Fund Balance	543,835	8,879	(95,659)	(104,538)
Fund Balance, July 1	2,669	2,669	2,669	0
Prior Year Encumbrances Appropriated	<u>16,165</u>	<u>16,165</u>	<u>16,165</u>	<u>0</u>
Fund Balance, June 30	<u>\$562,669</u>	<u>\$27,713</u>	<u>(\$76,825)</u>	<u>(\$104,538)</u>

Vandalia-Butler City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
(Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget: Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Auxiliary Services				
Total Revenues and Other Sources	\$260,000	\$233,150	\$233,521	\$371
Total Expenditures and Other Uses	<u>458,034</u>	<u>533,034</u>	<u>350,772</u>	<u>182,262</u>
Net Change in Fund Balance	(198,034)	(299,884)	(117,251)	182,633
Fund Balance, July 1	0	0	0	0
Prior Year Encumbrances Appropriated	<u>148,034</u>	<u>148,034</u>	<u>148,034</u>	<u>0</u>
Fund Balance, June 30	<u>(\$50,000)</u>	<u>(\$151,850)</u>	<u>\$30,783</u>	<u>\$182,633</u>
Management Information Systems				
Total Revenues and Other Sources	\$12,000	\$6,542	\$11,426	\$4,884
Total Expenditures and Other Uses	<u>18,154</u>	<u>47,652</u>	<u>42,359</u>	<u>5,293</u>
Net Change in Fund Balance	(6,154)	(41,110)	(30,933)	10,177
Fund Balance, July 1	17,196	17,196	17,196	0
Prior Year Encumbrances Appropriated	<u>18,154</u>	<u>18,154</u>	<u>18,154</u>	<u>0</u>
Fund Balance, June 30	<u>\$29,196</u>	<u>(\$5,760)</u>	<u>\$4,417</u>	<u>\$10,177</u>
Entry Year Program				
Total Revenues and Other Sources	\$0	\$750	\$750	\$0
Total Expenditures and Other Uses	<u>0</u>	<u>36,000</u>	<u>29,750</u>	<u>6,250</u>
Net Change in Fund Balance	0	(35,250)	(29,000)	6,250
Fund Balance, July 1	0	0	0	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30	<u>\$0</u>	<u>(\$35,250)</u>	<u>(\$29,000)</u>	<u>\$6,250</u>

Vandalia-Butler City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
(Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original	Final		
Ohio Educational Computer Network				
Total Revenues and Other Sources	\$18,000	\$18,000	\$18,000	\$0
Total Expenditures and Other Uses	0	0	0	0
Net Change in Fund Balance	18,000	18,000	18,000	0
Fund Balance, July 1	7,499	7,499	7,499	0
Prior Year Encumbrances Appropriated	0	0	0	0
Fund Balance, June 30	\$25,499	\$25,499	\$25,499	\$0
School Net Professional Development				
Total Revenues and Other Sources	\$5,000	\$8,502	\$8,502	\$0
Total Expenditures and Other Uses	0	3,300	6,226	(2,926)
Net Change in Fund Balance	5,000	5,202	2,276	(2,926)
Fund Balance, July 1	2,670	2,670	2,670	0
Prior Year Encumbrances Appropriated	0	0	0	0
Fund Balance, June 30	\$7,670	\$7,872	\$4,946	(\$2,926)
Interactive Video Learning				
Total Revenues and Other Sources	\$0	\$0	\$0	\$0
Total Expenditures and Other Uses	0	0	0	0
Net Change in Fund Balance	0	0	0	0
Fund Balance, July 1	3,011	3,011	3,011	0
Prior Year Encumbrances Appropriated	0	0	0	0
Fund Balance, June 30	\$3,011	\$3,011	\$3,011	\$0

Vandalia-Butler City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
(Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Ohio Reads				
Total Revenues and Other Sources	\$6,000	\$4,000	\$4,000	\$0
Total Expenditures and Other Uses	<u>0</u>	<u>5,000</u>	<u>5,000</u>	<u>0</u>
Net Change in Fund Balance	6,000	(1,000)	(1,000)	0
Fund Balance, July 1	1,497	1,497	1,497	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30	<u>\$7,497</u>	<u>\$497</u>	<u>\$497</u>	<u>\$0</u>
Summer Intervention				
Total Revenues and Other Sources	\$63,000	\$57,018	\$57,018	\$0
Total Expenditures and Other Uses	<u>0</u>	<u>42,000</u>	<u>41,637</u>	<u>363</u>
Net Change in Fund Balance	63,000	15,018	15,381	363
Fund Balance, July 1	0	0	0	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30	<u>\$63,000</u>	<u>\$15,018</u>	<u>\$15,381</u>	<u>\$363</u>
Miscellaneous State Grants				
Total Revenues and Other Sources	\$7,000	\$0	\$0	\$0
Total Expenditures and Other Uses	<u>1,624</u>	<u>8,624</u>	<u>2,874</u>	<u>5,750</u>
Net Change in Fund Balance	5,376	(8,624)	(2,874)	5,750
Fund Balance, July 1	2,580	2,580	2,580	0
Prior Year Encumbrances Appropriated	<u>1,624</u>	<u>1,624</u>	<u>1,624</u>	<u>0</u>
Fund Balance, June 30	<u>\$9,580</u>	<u>(\$4,420)</u>	<u>\$1,330</u>	<u>\$5,750</u>

Vandalia-Butler City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
(Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Special Education				
Total Revenues and Other Sources	\$702,980	\$778,530	\$758,920	(\$19,610)
Total Expenditures and Other Uses	<u>778,530</u>	<u>778,530</u>	<u>662,868</u>	<u>115,662</u>
Net Change in Fund Balance	(75,550)	0	96,052	96,052
Fund Balance, July 1	0	0	0	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30	<u>(\$75,550)</u>	<u>\$0</u>	<u>\$96,052</u>	<u>\$96,052</u>
Title I				
Total Revenues and Other Sources	\$285,314	\$275,993	\$288,453	\$12,460
Total Expenditures and Other Uses	<u>275,993</u>	<u>281,707</u>	<u>350,550</u>	<u>(68,843)</u>
Net Change in Fund Balance	9,321	(5,714)	(62,097)	(56,383)
Fund Balance, July 1	10,751	10,751	10,751	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30	<u>\$20,072</u>	<u>\$5,037</u>	<u>(\$51,346)</u>	<u>(\$56,383)</u>
Title V				
Total Revenues and Other Sources	\$32,653	\$10,513	\$37,128	\$26,615
Total Expenditures and Other Uses	<u>36,382</u>	<u>36,382</u>	<u>21,223</u>	<u>15,159</u>
Net Change in Fund Balance	(3,729)	(25,869)	15,905	41,774
Fund Balance, July 1	0	0	0	0
Prior Year Encumbrances Appropriated	<u>25,869</u>	<u>25,869</u>	<u>25,869</u>	<u>0</u>
Fund Balance, June 30	<u>\$22,140</u>	<u>\$0</u>	<u>\$41,774</u>	<u>\$41,774</u>

Vandalia-Butler City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
(Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Drug Free Schools				
Total Revenues and Other Sources	\$12,535	\$23,513	\$12,504	(\$11,009)
Total Expenditures and Other Uses	<u>12,232</u>	<u>23,513</u>	<u>0</u>	<u>23,513</u>
Net Change in Fund Balance	303	0	12,504	12,504
Fund Balance, July 1	0	0	0	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30	<u>\$303</u>	<u>\$0</u>	<u>\$12,504</u>	<u>\$12,504</u>
Preschool Handicapped Grant				
Total Revenues and Other Sources	\$11,526	\$11,451	\$23,924	\$12,473
Total Expenditures and Other Uses	<u>1,000</u>	<u>12,451</u>	<u>3,898</u>	<u>8,553</u>
Net Change in Fund Balance	10,526	(1,000)	20,026	21,026
Fund Balance, July 1	0	0	0	0
Prior Year Encumbrances Appropriated	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>0</u>
Fund Balance, June 30	<u>\$11,526</u>	<u>\$0</u>	<u>\$21,026</u>	<u>\$21,026</u>
E-Rate				
Total Revenues and Other Sources	\$5,000	\$5,000	\$19,048	\$14,048
Total Expenditures and Other Uses	<u>5,000</u>	<u>5,000</u>	<u>26,190</u>	<u>(21,190)</u>
Net Change in Fund Balance	0	0	(7,142)	(7,142)
Fund Balance, July 1	23,477	23,477	23,477	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30	<u>\$23,477</u>	<u>\$23,477</u>	<u>\$16,335</u>	<u>(\$7,142)</u>

Vandalia-Butler City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
(Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Title II-A				
Total Revenues and Other Sources	\$137,748	\$91,285	\$155,993	\$64,708
Total Expenditures and Other Uses	<u>160,464</u>	<u>159,075</u>	<u>160,684</u>	<u>(1,609)</u>
Net Change in Fund Balance	(22,716)	(67,790)	(4,691)	63,099
Fund Balance, July 1	0	0	0	0
Prior Year Encumbrances Appropriated	<u>67,790</u>	<u>67,790</u>	<u>67,790</u>	<u>0</u>
Fund Balance, June 30	<u>\$45,074</u>	<u>\$0</u>	<u>\$63,099</u>	<u>\$63,099</u>
Miscellaneous Federal Grants				
Total Revenues and Other Sources	\$8,432	\$5,176	\$7,027	\$1,851
Total Expenditures and Other Uses	<u>18,731</u>	<u>19,107</u>	<u>25,083</u>	<u>(5,976)</u>
Net Change in Fund Balance	(10,299)	(13,931)	(18,056)	(4,125)
Fund Balance, July 1	35	35	35	0
Prior Year Encumbrances Appropriated	<u>13,931</u>	<u>13,931</u>	<u>13,931</u>	<u>0</u>
Fund Balance, June 30	<u>\$3,667</u>	<u>\$35</u>	<u>(\$4,090)</u>	<u>(\$4,125)</u>

Vandalia-Butler City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
(Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original	Final		
Bond Retirement Fund				
Total Revenues and Other Sources	\$35,000	\$0	\$0	\$0
Total Expenditures and Other Uses	353,000	313,000	311,586	1,414
Net Change in Fund Balance	(318,000)	(313,000)	(311,586)	1,414
Fund Balance, July 1	954,665	954,665	954,665	0
Prior Year Encumbrances Appropriated	0	0	0	0
Fund Balance, June 30	\$636,665	\$641,665	\$643,079	\$1,414

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Statistical Section

Vandalia-Butler City School District
Net Assets by Component
Last Five Fiscal Years
(accrual basis of accounting)
Governmental Activities

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Invested in Capital Assets, Net of Related Debt	\$4,728,917	\$4,600,733	\$4,058,741	\$3,911,791	\$3,964,866
Restricted for:					
Capital Projects	0	218	0	0	0
Debt Service	0	0	37,476	954,666	643,080
Other Purposes	1,017,219	494,550	467,944	473,601	788,260
Unrestricted	<u>11,657,834</u>	<u>10,140,744</u>	<u>7,313,663</u>	<u>7,749,776</u>	<u>6,990,405</u>
Total Net Assets	<u><u>\$17,403,970</u></u>	<u><u>\$15,236,245</u></u>	<u><u>\$11,877,824</u></u>	<u><u>\$13,089,834</u></u>	<u><u>\$12,386,611</u></u>

Source: School District Financial Records.

Fiscal Year 2002 is the first year reported in accordance with GASB Statement No. 34.
The remaining years are not presented for that reason.

Vandalia-Butler City School District
Changes in Net Assets
Last Five Fiscal Years
(accrual basis of accounting)
Governmental Activities

	2002	2003	2004	2005	2006
Expenses					
Regular Instruction	\$12,774,549	\$12,878,701	\$13,262,778	\$13,225,486	\$14,432,299
Special Instruction	1,977,119	2,322,417	2,629,998	2,835,810	3,124,624
Vocational Instruction	337,788	373,908	370,998	361,120	433,138
Other Instruction	1,424,730	1,353,734	1,496,692	1,951,924	2,015,458
Pupil Support	1,282,535	1,972,949	1,924,211	2,022,213	2,081,843
Instructional Staff Support	969,693	1,581,473	2,072,071	1,719,059	1,682,870
Board of Education	0	0	0	48,587	29,154
Administration	1,747,480	1,985,350	1,731,639	1,752,783	1,869,063
Business and Fiscal	859,390	851,519	918,560	827,939	1,082,477
Operation and Maintenance of Plant	2,070,661	2,503,379	2,542,499	2,479,785	2,696,638
Pupil Transportation	1,079,505	1,098,435	1,251,468	1,212,371	1,375,441
Central	0	0	0	559,962	464,177
Other	732,740	1,058,763	724,605	0	0
Non-Instructional Services	1,209,458	1,360,262	1,410,629	1,235,849	1,289,241
Extracurricular Activities	662,700	713,987	642,708	647,621	636,916
Interest and Fiscal Charges	165,532	146,427	122,668	95,214	68,052
<i>Total Expenses</i>	<u>27,293,880</u>	<u>30,201,304</u>	<u>31,101,524</u>	<u>30,975,723</u>	<u>33,281,391</u>
Program Revenues					
Charges for Services					
Regular Instruction	\$178,908	\$18,626	\$23,901	\$267,746	\$338,195
Special Instruction	4,225	2,477	1,813	18,221	33,210
Vocational Instruction	794	446	294	2,803	5,415
Other Instruction	3,331	1,611	1,177	14,617	24,546
Pupil Support	2,702	1,792	1,264	17,383	75,448
Instructional Staff Support	278,186	254,965	279,114	292,404	274,315
Board of Education	0	0	0	400	0
Administration	3,886	2,273	1,322	12,815	22,742
Business and Fiscal	2,019	1,017	729	6,207	12,995
Operation and Maintenance of Plant	10,581	7,848	8,492	731,162	36,376
Pupil Transportation	2,536	1,312	993	8,610	15,883
Central	0	0	0	3,404	5,054
Other	1,968	5,567	560	0	0
Non-Instructional Services	920,229	947,062	994,008	213,902	983,582
Extracurricular Activities	307,825	301,642	300,286	306,588	320,686
Interest & Fiscal Charges	5	0	0	0	0
<i>Total Charges for Services</i>	<u>\$1,717,195</u>	<u>\$1,546,638</u>	<u>\$1,613,953</u>	<u>\$1,896,262</u>	<u>\$2,148,447</u>

Source: School District Financial Records.

Fiscal Year 2002 is the first year reported in accordance with GASB Statement No. 34. The remaining years are not presented for that reason.

(continued)

	2002	2003	2004	2005	2006
Operating Grants and Contributions					
Regular Instruction	\$229,107	\$115,008	\$158,653	\$148,382	\$92,447
Special Instruction	237,057	329,619	579,785	563,911	592,802
Vocational Instruction	1,938	0	0	0	0
Other Instruction	23,453	12,883	9,886	6,000	4,000
Pupil Support	167,716	299,770	319,430	590,800	715,842
Instructional Staff Support	150,341	34,474	168,759	199,740	131,569
Administration	132,280	52,412	64,518	42,248	16,349
Business and Fiscal	4,931	0	0	0	0
Operation and Maintenance of Plant	15,840	22,992	3,186	211,956	0
Pupil Transportation	6,194	505,659	571,617	564,197	584,698
Central	0	0	0	31,147	35,890
Other	22,794	33,772	10,093	0	0
Non-Instructional Services	271,301	237,464	268,458	145,482	322,005
Extracurricular Activities	540	0	0	11,526	0
Interest & Fiscal Charges	13	0	54,447	28,567	0
Total Operating Grants and Contributions	1,263,505	1,644,053	2,208,832	2,543,956	2,495,602
Capital Grants and Contributions					
Central	0	0	0	29,820	0
Other	0	52,688	0	0	0
Total Capital Grants and Contributions	0	52,688	0	29,820	0
<i>Total Program Revenues</i>	<u>2,980,700</u>	<u>3,243,379</u>	<u>3,822,785</u>	<u>4,470,038</u>	<u>4,644,049</u>
Net Expense	<u>(\$24,313,180)</u>	<u>(\$26,957,925)</u>	<u>(\$27,278,739)</u>	<u>(\$26,505,685)</u>	<u>(\$28,637,342)</u>
General Revenues					
Property Taxes Levied for:					
General Purposes	\$18,354,537	\$18,114,703	\$17,528,902	\$21,538,766	\$21,635,454
Debt Service	464,031	467,626	471,793	218,398	0
Grants and Entitlements not					
Restricted to Specific Programs	5,749,985	5,535,238	5,953,345	5,559,312	5,682,030
Investment Earnings	608,935	277,791	152,253	285,612	582,104
Gain on Sale of Capital Assets					0
Miscellaneous	1,413,146	379,158	124,591	115,575	34,531
<i>Total General Revenues</i>	<u>26,590,634</u>	<u>24,774,516</u>	<u>24,230,884</u>	<u>27,717,663</u>	<u>27,934,119</u>
<i>Change in Net Assets</i>	<u>\$2,277,454</u>	<u>(\$2,183,409)</u>	<u>(\$3,047,855)</u>	<u>\$1,211,978</u>	<u>(\$703,223)</u>

Vandalia-Butler City School District
Fund Balances - Governmental Funds
Last Five Fiscal Years
(modified accrual basis of accounting)

	<u>2002</u>	<u>2003</u>	<u>2004</u>
General Fund			
Reserved	\$2,060,494	\$978,071	\$624,920
Unreserved	<u>9,796,859</u>	<u>9,373,573</u>	<u>6,876,628</u>
<i>Total General Fund</i>	<u>11,857,353</u>	<u>10,351,644</u>	<u>7,501,548</u>
All Other Governmental Funds			
Reserved	128,316	130,678	18,070
Unreserved, Undesignated, Reported in:			
Special Revenue Funds	593,279	484,585	400,103
Debt Service Funds	702,810	833,068	999,523
Capital Projects Funds	<u>(33,000)</u>	<u>218</u>	<u>0</u>
Total All Other Governmental Funds	<u>1,391,405</u>	<u>1,448,549</u>	<u>1,417,696</u>
<i>Total Governmental Funds</i>	<u><u>\$13,248,758</u></u>	<u><u>\$11,800,193</u></u>	<u><u>\$8,919,244</u></u>

Source: School District Financial Records.

Fiscal Year 2002 is the first year reported in accordance with GASB Statement No. 34.
Fiscal years prior to 2002 were reported on a cash basis and therefore are not included.

2005	2006
\$1,506,744	\$1,585,879
7,664,158	6,340,288
9,170,902	7,926,167
0	306,865
620,760	598,047
954,666	643,080
0	0
1,575,426	1,547,992
\$10,746,328	\$9,474,159

Vandalia-Butler City School District
Changes in Fund Balances - Governmental Funds
Last Five Fiscal Years
(modified accrual basis of accounting)

	2002	2003	2004
Revenues			
Taxes	\$18,846,306	\$18,532,796	\$18,134,688
Intergovernmental	6,489,797	7,614,235	8,040,567
Earnings on Investments	608,935	277,791	152,253
Tuition and Fees	455,701	181,301	165,048
Extracurricular	592,232	559,850	587,461
Gifts and Donations	140,109	0	0
Charges for Services	669,262	583,383	861,444
Rentals	111,741	0	0
Other	1,299,270	601,262	124,591
<i>Total Revenues</i>	<u>29,213,353</u>	<u>28,350,618</u>	<u>28,066,052</u>
Expenditures			
Current:			
Instruction:			
Regular	12,066,082	12,403,628	12,981,494
Special	1,946,958	2,336,062	2,594,420
Vocational	319,744	371,467	386,614
Other	1,424,618	1,354,125	1,496,058
Support Services:			
Pupil	1,273,013	1,979,374	1,919,710
Instructional Staff	977,486	1,507,538	2,084,466
Board of Education	0	0	0
Administration	1,835,365	1,947,451	1,711,274
Business and Fiscal	878,034	863,719	881,534
Operation and Maintenance of Plant	2,409,906	2,463,836	2,549,713
Pupil Transportation	954,944	1,050,390	1,123,948
Central	0	0	0
Other	678,103	1,083,981	765,825
Enterprise Operations	0	0	19,985
Non-Instructional Services	1,196,624	1,345,178	1,388,839
Extracurricular Activities	628,362	682,719	612,437
Capital Outlay	408,278	0	221,940
Debt Service:			
Principal	439,755	269,220	306,013
Interest	167,535	148,431	124,671
<i>Total Expenditures</i>	<u>27,604,807</u>	<u>29,807,119</u>	<u>31,168,941</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,608,546</u>	<u>(1,456,501)</u>	<u>(3,102,889)</u>
Other Financing Sources (Uses)			
Sale of Capital Assets	2,135	2,406	0
Inception of Capital Lease	339,953	0	221,940
Transfers In	249,468	298,127	302,709
Transfers Out	(249,468)	(298,127)	(302,709)
<i>Total Other Financing Sources (Uses)</i>	<u>342,088</u>	<u>2,406</u>	<u>221,940</u>
<i>Net Change in Fund Balances</i>	<u>\$1,950,634</u>	<u>(\$1,454,095)</u>	<u>(\$2,880,949)</u>

Source: School District Financial Records.

The Fiscal Year 2002 is the first year reported in accordance with GASB Statement No. 34. Fiscal years prior to 2002 were reported on a cash basis and therefore are not included.

2005	2006
\$21,446,972	\$22,050,412
8,231,051	8,191,569
285,612	582,104
316,955	480,625
627,802	638,961
2,426	2,617
951,505	1,028,861
0	0
115,575	34,531
<u>31,977,898</u>	<u>33,009,680</u>
12,515,638	14,828,961
2,758,507	3,226,990
360,607	434,558
1,952,356	2,015,751
1,951,995	2,152,792
1,714,441	1,725,202
48,587	29,154
1,630,201	1,872,581
821,296	1,121,730
2,447,864	2,774,847
1,142,790	1,347,666
556,416	459,922
0	0
0	0
1,202,039	1,269,391
606,651	607,050
0	50,644
344,240	347,202
97,218	68,052
<u>30,150,846</u>	<u>34,332,493</u>
<u>1,827,052</u>	<u>(1,322,813)</u>
0	0
0	50,644
250,000	0
(250,000)	0
<u>0</u>	<u>50,644</u>
<u>\$1,827,052</u>	<u>(\$1,272,169)</u>

Vandalia-Butler City School District
Assessed and Estimated Actual Value of Taxable Property
Last Ten Collection (Calendar) Years

Collection Year	Real Property			Tangible Personal Property	
	Assessed Value		Estimated Actual Value	Public Utility	
	Residential/ Agricultural	Commercial/ Industrial/PU		Assessed Value	Estimated Actual Value
1997	\$294,827,430	\$119,428,440	\$1,183,588,200	\$26,653,110	\$106,612,440
1998	300,076,180	121,146,290	1,203,492,771	26,360,230	105,440,920
1999	306,029,170	122,364,710	1,223,982,514	25,084,640	100,338,560
2000	342,422,070	129,240,070	1,347,606,114	23,312,830	93,251,320
2001	348,721,950	130,987,580	1,370,598,657	21,696,500	86,786,000
2002	353,228,050	138,074,230	1,403,720,800	17,749,170	70,996,680
2003	391,477,550	157,263,300	1,567,831,000	18,220,030	72,880,120
2004	395,305,200	159,498,440	1,585,153,257	17,945,880	71,783,520
2005	403,838,260	159,494,010	1,609,520,771	17,155,580	68,622,320
2006	436,988,010	174,764,120	1,747,863,229	19,648,530	78,594,120

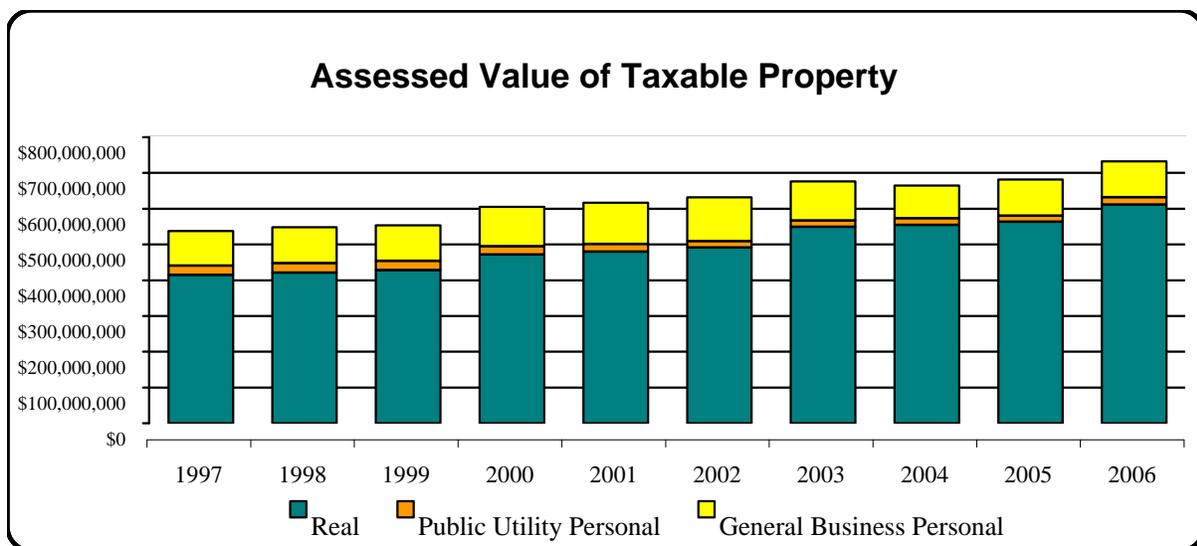
Real property is reappraised every six years with a State mandated update of the current market value in the third year following each reappraisal.

The assessed value of real property (including public utility real property) is 35 percent of estimated true value. Personal property tax is assessed on all tangible personal property used in business in Ohio. The assessed value of public utility personal property ranges from 25 percent of true value for railroad property to 88 percent for electric transmission and distribution property. General business tangible personal property was assessed in previous years at 25 percent for machinery and equipment and 23 percent for inventories. General business tangible personal property tax is being phased out beginning in 2006. The listing percentage is 18.75 percent for 2006, 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009.

The tangible personal property values associated with each year are the values that, when multiplied by the applicable rates, generated the property tax revenue billed in that year. For real property, the amounts generated by multiplying the assessed values by the applicable rates would be reduced by the 10%, 2 1/2% and homestead exemptions before being billed. Beginning in the 2006 collection year, the 10% rollback for commercial/industrial property has been eliminated.

Source: Office of the County Auditor, Montgomery County, Ohio

Tangible Personal Property		Total		Ratio	Res/Ag Average Tax Rate
General Business		Total			
Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
\$96,789,674	\$387,158,696	\$537,698,654	\$1,677,359,336	32.06%	29.30
101,006,660	\$404,026,640	548,589,360	1,712,960,331	32.03%	29.31
100,331,566	\$401,326,264	553,810,086	1,725,647,338	32.09%	29.30
109,860,144	\$439,440,576	604,835,114	1,880,298,010	32.17%	28.50
115,030,410	\$460,121,640	616,436,440	1,917,506,297	32.15%	28.30
123,069,976	\$492,279,904	632,121,426	1,966,997,384	32.14%	28.10
109,011,441	\$436,045,764	675,972,321	2,076,756,884	32.55%	27.80
92,384,592	\$369,538,368	665,134,112	2,026,475,145	32.82%	27.70
100,759,655	\$403,038,620	681,247,505	2,081,181,711	32.73%	33.20
101,007,884	\$404,031,536	732,408,544	2,230,488,885	32.84%	32.60



Vandalia-Butler City School District

Principal Property Taxpayers

Real Estate Tax

2006 and 1997 (1)

Name of Taxpayer	2006	
	Assessed Value	Percent of Real Property Assessed Value
Delphi Automotive System	\$ 4,657,770	0.76%
Drury Inns Inc	3,322,250	0.54%
The IAMS Company	3,038,100	0.50%
B-W Limited Partnership	2,311,430	0.38%
SAM'S Real Estate Business	2,101,410	0.34%
Northwoods Shoppes LLC	2,044,630	0.33%
Mid-States Development	1,658,110	0.27%
Orchard Hospitality Corp	1,651,400	0.27%
Timberlake Limited Partnership	1,596,670	0.26%
ABMD LTD	1,488,920	0.24%
Totals	<u>\$ 23,870,690</u>	<u>3.90%</u>
Total Assessed Valuation	<u>\$611,752,130</u>	

Name of Taxpayer	1997	
	Assessed Value	Percent of Real Property Assessed Value
N/A	N/A	N/A

N/A - Not Available

Source: Montgomery County Auditor

(1) The amounts presented represent the assessed values upon which 2006 and 1997 collections were based.

Vandalia-Butler City School District

Principal Property Taxpayers

Tangible Personal Property Tax

2006 and 1997 (1)

Name of Taxpayer	2006	
	Assessed Value	Percent of Tangible Personal Property Assessed Value
Delphi Automotive Systems	\$5,183,810	5.13%
Smith Industries Aerospace	4,890,030	4.84%
PSA Airlines Inc	3,974,680	3.94%
Eurand America Inc	3,503,490	3.47%
Beau Townsend Ford Inc	2,587,660	2.56%
Encon Inc	2,536,430	2.51%
SAIA-Burgess Inc	2,042,200	2.02%
A-F Leis Co Inc	2,014,040	1.99%
Miami Valley International	1,885,840	1.87%
EFTEC North America LLC	1,781,470	1.76%
Total	<u>\$30,399,650</u>	<u>30.10%</u>
Total Assessed Valuation	<u>\$101,007,884</u>	

Name of Taxpayer	1997	
	Assessed Value	Percent of Tangible Personal Property Assessed Value
N/A	N/A	N/A

N/A - Not Available

Source: Montgomery County Auditor

(1) The amounts presented represent the assessed values upon which 2006 and 1997 collections were based.

Vandalia-Butler City School District

Principal Property Taxpayers

Public Utilities Tax

2006 and 1997 (1)

Name of Taxpayer	2006	
	Assessed Value	Percent of Public Utility Assessed Value
Dayton Power and Light	\$8,317,510	42.33%
Ohio Bell Telephone	3,577,860	18.21%
Total	<u>\$11,895,370</u>	<u>60.54%</u>
Total Assessed Valuation	<u>\$19,648,530</u>	

Name of Taxpayer	1997	
	Assessed Value	Percent of Public Utility Assessed Value
N/A	N/A	N/A

N/A - Not Available

Source: Montgomery County Auditor

(1) The amounts presented represent the assessed values upon which 2006 and 1997 collections were based.

**VANDALIA-BUTLER CITY SCHOOL DISTRICT, OHIO
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$1,000 OF ASSESSED VALUATION)
LAST TEN COLLECTION (CALENDAR) YEARS (1)
1996-2006**

Collection Year	Montgomery County	Dayton Metro Library	Butler Township	City of Vandalia	City of Union	Miami Valley		Vandalia-Butler City School District
						Career Technology Center		
2006	18.24	1.25	16.94	4.14	15.67	2.58		53.30
2005	18.24	1.25	16.94	4.14	15.67	2.58		48.86
2004	17.24	0.26	16.94	4.14	15.67	2.58		43.46
2003	17.24	0.26	16.94	4.14	15.67	2.58		44.36
2002	17.24	0.26	16.94	4.14	15.67	2.58		44.66
2001	17.24	0.26	16.94	4.14	15.67	2.58		44.86
2000	16.64	0.26	17.60	4.14	15.67	2.58		45.06
1999	16.64	0.26	17.60	4.14	15.67	2.58		45.86
1998	16.64	0.26	17.60	4.14	0.00	2.58		45.86
1997	16.64	0.72	16.60	4.14	0.00	2.58		45.86
1996	16.64	0.72	15.10	4.14	0.00	2.58		47.86

Source: Montgomery County Auditor.

(1) Montgomery County property tax rate records are maintained on a calendar / collection year basis.

**VANDALIA-BUTLER CITY SCHOOL DISTRICT, OHIO
PROPERTY TAX LEVIES AND COLLECTIONS - REAL, PERSONAL, AND PUBLIC UTILITY PROPERTY
LAST TEN COLLECTION (CALENDAR) YEARS
1997-2006**

Collection Year	Current Levy (1)	Current Collection (2)	Percent of		Delinquent Collection	Total Collection (2)	Percent of		Outstanding Delinquent Taxes (3)	Total Collection As a Percent of Current Levy
			Current Levy Collected	Current Levy Collected			Current Levy Collected	Current Levy Collected		
2006	23,527,932	22,914,175	97.39%	936,177	23,850,352	101.37%	1,100,718	4.68%		
2005	22,550,823	21,755,463	96.47%	795,361	22,550,824	100.00%	1,276,852	5.66%		
2004	20,355,804	19,838,772	97.46%	559,071	20,397,843	100.21%	1,740,537	8.55%		
2003	20,747,620	19,584,235	94.39%	771,308	20,355,543	98.11%	1,495,650	7.21%		
2002	20,201,860	18,949,413	93.80%	631,133	19,580,546	96.92%	665,860	3.30%		
2001	19,843,228	19,618,976	98.87%	1,074,169	20,693,145	104.28%	1,514,895	7.63%		
2000	(4)	19,167,150	(4)	626,452	19,793,602	(4)	(4)	(4)		
1999	(4)	18,504,073	(4)	626,390	19,130,463	(4)	(4)	(4)		
1998	(4)	17,951,589	(4)	691,286	18,642,875	(4)	(4)	(4)		
1997	(4)	17,745,969	(4)	758,627	18,504,596	(4)	(4)	(4)		

Source: Montgomery County Auditor.

(1) Taxes levied and collected are presented on a cash basis.

(2) State reimbursements of rollback and homestead exemptions are included.

(3) Penalties and interest are included, since by Ohio law they become part of the tax obligation as assessment occurs.

(4) Information not available

**VANDALIA-BUTLER CITY SCHOOL DISTRICT, OHIO
RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA
LAST TEN YEARS
1997-2006**

Collection Year	Population (1)	Total Assessed Value (2)	Gross Bonded Debt (3)	Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2006	22,985	\$732,408,544	\$500,000	\$643,080	(\$143,080)	-0.02%	\$0
2005	22,985	681,247,505	750,000	954,665	(204,665)	-0.03%	0
2004	22,985	665,134,112	1,000,000	999,523	477	0.00%	0
2003	22,985	675,972,321	1,250,000	833,398	416,602	0.06%	18
2002	22,985	632,121,426	1,500,000	703,144	796,856	0.13%	35
2001	22,985	616,436,440	1,750,000	609,770	1,140,230	0.18%	50
2000	22,985	604,835,114	2,000,000	507,029	1,492,971	0.25%	65
1999	21,790	553,810,086	2,250,000	502,354	1,747,646	0.32%	80
1998	21,790	548,589,360	2,500,000	549,011	1,950,989	0.36%	90
1997	21,790	537,698,654	2,750,000	605,707	2,144,293	0.40%	98

Sources:

- (1) Census data for 1990 and 2000, estimates from the City of Vandalia and Butler Township
- (2) Montgomery County Auditor, calendar year basis.
- (3) Prior to fiscal year 2002, Vandalia-Butler City School District reported on cash basis.

Vandalia-Butler City School District
Computation of Legal Debt Margin
Last Five Years

	2002	2003	2004	2005	2006
Tax Valuation	\$632,121,426	\$675,972,321	\$665,134,112	\$681,247,505	\$732,408,544
Debt Limit - 9% of Taxable Valuation (1)	56,890,928	60,837,509	59,862,070	61,312,275	65,916,769
Amount of Debt Applicable to Debt Limit					
General Obligation Bonds	1,500,000	1,250,000	1,000,000	750,000	500,000
Less Amount Available in Debt Service	(703,144)	(833,398)	(999,523)	(954,666)	0
Amount of Debt Subject to Limit	796,856	416,602	477	(204,666)	500,000
Legal Debt Margin	\$56,094,072	\$60,420,907	\$59,861,593	\$61,516,941	\$65,416,769
Legal Debt Margin as a Percentage of the Debt Limit	98.60%	99.32%	100.00%	100.33%	99.24%
Energy Conservation Deb Limit- .90% of assessed value (1)	5,689,093	6,083,751	5,986,207	6,131,228	6,591,677
Amount of Debt Subject to Limit	0	0	0	0	0
Unvoted Legal Debt Margin	\$5,689,093	\$6,083,751	\$5,986,207	\$6,131,228	\$6,591,677
Unvoted Legal Debt Margin as a Percentage of the Unvoted Debt Limit	100.00%	100.00%	100.00%	100.00%	100.00%
Unvoted Debt Limit - .10% of Taxable Valuation (1)	632,121	675,972	665,134	681,248	732,409
Amount of Debt Subject to Limit	0	0	0	0	0
Unvoted Legal Debt Margin	\$632,121	\$675,972	\$665,134	\$681,248	\$732,409
Unvoted Legal Debt Margin as a Percentage of the Unvoted Debt Limit	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Montgomery County Auditor and School District Financial Records

(1) Ohio Bond Law sets a limit of 9% for overall debt and 1/10 of 1% for unvoted debt.

Note: The definition of tax valuation for the purpose of calculating the debt margin was modified by H.B. 530, effective 3/30/06, to exclude tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, or personal property owned or leased by a railroad company and used in railroad operations.

Vandalia-Butler City School District
Ratio of Outstanding Debt By Type

Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Total Primary Government	Per Capita
	General Obligation Bonds	Capital Leases		
1997	\$2,750,000	\$0	\$2,750,000	\$126.20
1998	2,500,000	-	2,500,000	114.73
1999	2,250,000	-	2,250,000	103.26
2000	2,000,000	-	2,000,000	87.01
2001	1,750,000	-	1,750,000	76.14
2002	1,500,000	150,198	1,650,198	71.79
2003	1,250,000	130,978	1,380,978	60.08
2004	1,000,000	296,905	1,296,905	56.42
2005	750,000	202,665	952,665	41.45
2006	500,000	156,107	656,107	28.53

SOURCE: School District Records

**VANDALIA-BUTLER CITY SCHOOL DISTRICT, OHIO
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 JUNE 30, 2006**

Governmental Unit	Gross General Obligation	Percent Applicable to District	Amount Applicable to District
Direct:			
Vandalia-Butler City School District	<u>\$500,000</u>	100.00%	<u>\$500,000</u>
Overlapping:			
Montgomery County	30,462,940	6.71%	2,044,063
Butler Township	402,199	100.00%	402,199
City of Dayton	50,608,401	5.95%	3,013,481
City of Union	215,609	0.25%	535
City of Vandalia	<u>11,823,492</u>	100.00%	<u>11,823,492</u>
Total overlapping	<u>93,512,641</u>		<u>17,283,770</u>
Total direct and overlapping debt	<u><u>\$94,012,641</u></u>		<u><u>\$17,783,770</u></u>

Source: Montgomery County Auditor

**VANDALIA-BUTLER CITY SCHOOL DISTRICT, OHIO
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES
LAST TEN FISCAL YEARS (1)
1996-2005**

Fiscal Year	Total Debt		Total		Ratio of Debt Service to General Fund Expenditures
	Principal	Interest	Service	General Fund Expenditures	
2006	250,000	61,586	311,586	30,460,840	1.02%
2005	250,000	88,119	338,119	27,421,979	1.23%
2004	250,000	115,685	365,685	27,256,338	1.34%
2003	250,000	141,325	391,325	26,368,103	1.48%
2002	250,000	158,438	408,438	24,252,773	1.68%
2001	250,000	182,813	432,813	23,391,736	1.85%
2000	250,000	207,188	457,188	22,347,097	2.05%
1999	250,000	231,563	481,563	21,721,007	2.22%
1998	250,000	255,938	505,938	19,405,447	2.61%
1997	225,000	279,094	504,094	21,144,492	2.38%

Source: Vandalia-Butler City School District Financial Records.
(1) Prior to fiscal year 2002, Vandalia-Butler City School District reported on cash basis.

VANDALIA-BUTLER CITY SCHOOL DISTRICT, OHIO
DEMOGRAPHIC STATISTICS
LAST TEN YEARS
1997-2006

<u>Year</u>	<u>Population (1)</u>	<u>School Enrollment (2)</u>	<u>Average Federal Income (3)</u>	<u>Unemployment Rate Montgomery County (4)</u>
2006	22,985	3,434	Information not available	NA
2005	22,985	3,382	Information not available	NA
2004	22,985	3,518	Information not available	6.4%
2003	22,985	3,471	Information not available	4.7%
2002	22,985	3,466	Information not available	5.3%
2001	22,985	3,531	\$48,698	4.3%
2000	22,985	3,550	50,415	3.8%
1999	21,790	3,564	49,746	3.8%
1998	21,790	3,640	47,439	4.1%
1997	21,790	3,590	44,240	4.0%

Sources:

- (1) Based on Census 2000 data. All other years are estimates from the Cities of Vandalia and Union and Butler Township.
- (2) Vandalia-Butler City School District Financial Records.
- (3) Ohio Department of Taxation, 2001 information most recent available.
- (4) Ohio Bureau of Employment Services.

Vandalia-Butler City School District
 Full-Time Equivalent District Employees by Type
 Last Eight Fiscal Years

	1999	2000	2001	2002	2003	2004	2005	2006
Instruction								
Classroom Teachers	196.66	197.2	194.63	194.55	194.35	197.53	188.86	188.22
Special Education Teachers and Tutors	17.2	19.7	19.2	19.5	21.58	24.98	26.4	28.48
Educational/Media Aides	34.2	36.2	36.16	36.9	38	33.5	35.5	37.84
Counselor	5	5	5	5	5	5	5	5
Total Instruction	253.06	258.1	254.99	255.95	258.93	261.01	255.76	259.54
Support and Administration								
Central Office Support/Administrators	19.15	19.95	20.28	23.43	27.95	26	22	26.12
Principals	8	8	7	8	9	9	8	10
Clerical Support	28	27	27	27	27	25	25	27
Professional Support	8	8	8	8	8	8	8	10.37
Transportation	24	26	27	26	25	27	27	27.5
Food Service	19.8	22.1	21.3	25.8	30.1	16.8	17.4	17.3
Custodial	22.5	20.5	21	22	22	23	22	19
Maintenance and Mechanics	15.4	14.9	16.9	15.9	17.4	11.5	10.5	12
Total Support and Administration	144.85	146.45	148.48	156.13	166.45	146.3	139.9	149.29
Total Employees	397.91	404.55	403.47	412.08	425.38	407.31	395.66	408.83

Vandalia-Butler City School District

Building Statistics
Last Ten Fiscal Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Demmitt Elementary School										
Constructed in	1987									
Total Building Square Footage	43,977									
Total Acres	11									
Enrollment Grades K-6				434	402	373	372	372	397	403
Student Capacity	368	368	368	368	368	368	368	368	368	368
Regular Instruction Classrooms	15									22
Regular Instruction Teachers										26
Special Instruction Classrooms										3
Special Instruction Teachers										4
Holke Elementary School										
Constructed in	1969									
Total Building Square Footage	42,456									
Total Acres	10.5									
Enrollment Grades K-6				375	354	375	405	405	391	399
Student Capacity	350	350	350	350	350	350	350	350	350	350
Regular Instruction Classrooms										16
Regular Instruction Teachers										24
Special Instruction Classrooms										1
Special Instruction Teachers										2
Murlin Heights Elementary School										
Constructed in	1952									
Total Building Square Footage	40,930									
Total Acres	15									
Enrollment Grades K-6				415	390	389	406	406	365	365
Student Capacity	335	335	335	335	335	335	335	335	335	335
Regular Instruction Classrooms										25
Regular Instruction Teachers										25
Special Instruction Classrooms										3
Special Instruction Teachers										3
Morton Middle School										
Constructed in	1922									
Total Building Square Footage	59,027									
Total Acres	9.5									
Enrollment Grades 5-8				542	514	518	513	513	533	516
Student Capacity	444	444	444	444	444	444	444	444	444	444
Regular Instruction Classrooms										32
Regular Instruction Teachers										32
Special Instruction Classrooms										3
Special Instruction Teachers										8
Smith Middle School										
Constructed in	1969									
Total Building Square Footage	66,113									
Total Acres	84.5									
Enrollment Grades 5-8				545	553	562	549	529	529	529
Student Capacity	406	406	406	406	406	406	406	406	406	406
Regular Instruction Classrooms										32
Regular Instruction Teachers										32
Special Instruction Classrooms										5
Special Instruction Teachers										7
Butler High School										
Constructed in	1956									
Total Building Square Footage	218,934									
Total Acres	23.8									
Enrollment Grades 9-12				1,177	1,211	1,199	1,218	1,202	1,222	1,222
Student Capacity	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375
Regular Instruction Classrooms										64
Regular Instruction Teachers										62
Special Instruction Classrooms										4
Special Instruction Teachers										10

Vandalia-Butler City School District

Operating Statistics

Last Four Fiscal Years

<u>Fiscal Year</u>	<u>Expenses</u>	<u>Enrollment</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Pupil/ Teacher Ratio</u>
2003	\$30,201,304	3,416	\$8,841		254	13.4
2004	31,101,524	3,463	8,981	1.58%	256	13.5
2005	30,975,723	3,417	9,065	0.94%	250	13.7
2006	33,281,391	3,434	9,692	6.91%	254	13.5

Source: School District Records.



Mary Taylor, CPA
Auditor of State

VANDALIA-BUTLER CITY SCHOOL DISTRICT
MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 22, 2007