



**SUGARCREEK LOCAL SCHOOL DISTRICT
GREENE COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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

REPORT OF INDEPENDENT ACCOUNTANTS

Sugarcreek Local School District
Greene County
60 East South Street
Bellbrook, Ohio 45305

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2000, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

JIM PETRO
Auditor of State

February 2, 2000

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COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999

GOVERNMENTAL FUND TYPES

	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Assets and Other Debits				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,388,260	\$231,779	563,554	\$100,961
Cash and Cash Equivalents with Fiscal Agents	0	0	7,160	0
Restricted Cash and Cash Equivalents	154,895	0	0	0
Receivables:				
Accounts	3,781	0	0	0
Taxes	8,145,029	0	909,614	519,487
Intergovernmental Receivable	31,498	0	0	0
Prepaid Items	8,949	0	0	0
Supplies Inventory	36,789	0	0	0
Interfund Receivable	57,318	0	0	0
Land	0	0	0	0
Improvements to Land	0	0	0	0
Buildings	0	0	0	0
Equipment	0	0	0	0
Vehicles	0	0	0	0
Other Debits:				
Amount Available in General Obligation Bond Retirement Fund	0	0	0	0
Amount to be Provided for Retirement of General Long Term Obligations	0	0	0	0
Total Assets and Other Debits	<u>\$9,826,519</u>	<u>\$231,779</u>	<u>\$1,480,328</u>	<u>\$620,448</u>

(Continued)

FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
	TRUST AND AGENCY	GENERAL FIXED ASSETS	
\$99,511	\$0	\$0	\$2,384,065
0	0	0	7,160
0	0	0	154,895
0	0	0	3,781
0	0	0	9,574,130
0	0	0	31,498
0	0	0	8,949
0	0	0	36,789
137	0	0	57,455
0	1,094,008	0	1,094,008
0	911,551	0	911,551
0	15,683,819	0	15,683,819
0	5,221,647	0	5,221,647
0	1,585,231	0	1,585,231
0	0	355,739	355,739
0	0	8,784,808	8,784,808
<u>\$99,648</u>	<u>\$24,496,256</u>	<u>\$9,140,547</u>	<u>\$45,895,525</u>

(continued)

COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1999
 (Continued)

GOVERNMENTAL FUND TYPES

	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECT
<hr/>				
Liabilities, Fund Equity and Other Credits				
<hr/>				
Liabilities:				
Accounts Payable	\$44,878	\$0	\$0	\$1,293
Accrued Salaries Payable	1,219,663	0	0	0
Accrued Interest Payable	0	0	4,993	0
Intergovernmental Payable	248,530	0	0	0
Interfund Payable	137	0	0	57,318
Due to Students	0	0	0	0
Deferred Revenue	7,253,706	0	796,918	498,997
Compensated Absences Payable	26,473	0	0	0
Notes Payable	0	0	200,000	1,435,000
Energy Conservation Notes Payable	0	0	0	0
Capital Lease Obligation	0	0	0	0
Matured Interest Payable	0	0	7,160	0
General Obligation Bonds Payable	0	0	0	0
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	8,793,387	0	1,009,071	1,992,608
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	294,691	38,801	2,822	62,821
Reserved for Supplies Inventory	36,789	0	0	0
Reserve for Prepays	8,949	0	0	0
Reserve for Taxes	891,323	0	112,696	20,490
Reserve for Budget Stabilization	154,895	0	0	0
Unreserved:				
Unreserved	(353,515)	192,978	355,739	(1,455,471)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Equity and Other Credits	1,033,132	231,779	471,257	(1,372,160)
Total Liabilities, Fund Equity and Other Credits	<u>\$9,826,519</u>	<u>\$231,779</u>	<u>\$1,480,328</u>	<u>\$620,448</u>

See accompanying notes to the general purpose financial statements

FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
	TRUST AND AGENCY	GENERAL FIXED ASSETS	
\$1,000	\$0	\$0	\$47,171
0	0	0	1,219,663
0	0	0	4,993
0	0	87,216	335,746
0	0	0	57,455
33,521	0	0	33,521
0	0	0	8,549,621
0	0	711,946	738,419
0	0	0	1,635,000
0	0	783,500	783,500
0	0	48,400	48,400
0	0	0	7,160
0	0	7,509,485	7,509,485
34,521	0	9,140,547	20,970,134
0	24,496,256	0	24,496,256
58,047	0	0	58,047
1,750	0	0	400,885
0	0	0	36,789
0	0	0	8,949
0	0	0	1,024,509
0	0	0	154,895
5,330	0	0	(1,254,939)
65,127	24,496,256	0	24,925,391
<u>\$99,648</u>	<u>\$24,496,256</u>	<u>\$9,140,547</u>	<u>\$45,895,525</u>

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 1999

	GOVERNMENTAL FUND TYPES					TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST	
Revenues:						
Taxes	\$8,572,104	\$0	\$1,038,302	\$274,538	\$0	\$9,884,944
Intergovernmental	4,783,157	153,470	115,140	94,467	0	5,146,234
Interest	174,050	5,783	0	7,634	816	188,283
Tuition and Fees	174,322	40,240	0	0	0	214,562
Extracurricular Activities	2,178	234,696	0	0	0	236,874
Other	45,774	53,042	0	0	5,282	104,098
Total Revenues	13,751,585	487,231	1,153,442	376,639	6,098	15,774,995
Expenditures:						
Current:						
Instruction:						
Regular	6,448,239	31,688	0	14,442	578	6,494,947
Special	959,739	86,453	0	0	0	1,046,192
Vocational	76	0	0	0	0	76
Support Services:						
Pupils	626,173	18,297	0	81,858	1,030	727,358
Instructional Staff	939,425	12,901	0	37,406	0	989,732
Board of Education	50,709	0	0	0	0	50,709
Administration	1,138,517	0	0	100,380	0	1,238,897
Fiscal	410,295	0	15,314	5,684	0	431,293
Business	29,318	0	0	0	0	29,318
Operation and Maintenance of Plant	1,279,129	0	0	216,403	0	1,495,532
Pupil Transportation	1,025,067	0	0	52,325	84	1,077,476
Central	2,841	3,341	0	0	0	6,182
Non-Instructional Services	11,782	0	0	7,740	0	19,522
Extracurricular Activities	292,152	294,673	0	19,841	0	606,666
Capital Outlay	57,117	0	0	820,850	0	877,967
Debt Service:						
Principal Retirement	161,273	0	735,000	0	0	896,273
Interest and Fiscal Charges	37,305	0	420,366	0	0	457,671
Total Expenditures	13,469,157	447,353	1,170,680	1,356,929	1,692	16,445,811
Excess of Revenues Over (Under) Expenditures	282,428	39,878	(17,238)	(980,290)	4,406	(670,816)
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	1,484	0	0	0	0	1,484
Inception of Capital Lease	56,493	0	0	0	0	56,493
Refund of Prior Year Expenditures	16,969	289	0	0	0	17,258
Operating Transfer - In	109,589	0	277,746	0	0	387,335
Operating Transfer - Out	(180,550)	0	0	(206,785)	0	(387,335)
Total Other Financing Sources	3,985	289	277,746	(206,785)	0	75,235
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	286,413	40,167	260,508	(1,187,075)	4,406	(595,581)
Fund Balances at Beginning of Year	747,803	191,612	210,749	(185,085)	2,674	967,753
Decrease in Reserve for Inventory	(1,084)	0	0	0	0	(1,084)
Fund Balances at End of Year	\$1,033,132	\$231,779	\$471,257	(\$1,372,160)	\$7,080	\$371,088

See accompanying notes to the general purpose financial statements

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COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 1999

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:						
Taxes	\$8,173,135	\$8,072,119	(\$101,016)	\$0	\$0	\$0
Intergovernmental	4,632,084	4,801,567	169,483	150,109	151,174	1,065
Interest	161,677	174,322	12,645	46,700	40,240	(6,460)
Tuition and Fees	119,903	174,050	54,147	5,719	8,079	2,360
Extracurricular Activities	0	2,178	2,178	235,859	234,696	(1,163)
Customer Services	0	0	0	8,700	9,154	454
Miscellaneous	7,503	10,495	2,992	43,663	43,888	225
Total Revenues	13,094,302	13,234,731	140,429	490,750	487,231	(3,519)
Expenditures:						
Current:						
Instruction:						
Regular	6,479,143	6,496,445	(17,302)	38,536	51,779	(13,243)
Special	952,599	957,213	(4,614)	90,743	86,453	4,290
Vocational	61	76	(15)	0	0	0
Support Services:						
Pupils	627,169	622,143	5,026	19,095	18,496	599
Instructional Staff	946,189	947,453	(1,264)	13,158	13,049	109
Board of Education	65,201	58,674	6,527	0	0	0
Administration	1,039,663	1,116,977	(77,314)	0	0	0
Fiscal	433,249	416,654	16,595	0	0	0
Business	52,963	43,694	9,269	0	0	0
Operations of Maintenance of Plant	1,315,707	1,310,457	5,250	0	0	0
Pupil Transportation	998,555	1,039,977	(41,422)	0	0	0
Central	0	0	0	13,527	3,341	10,186
Operation of Non-Instructional Services	13,200	11,998	1,202	0	0	0
Extracurricular Activities	310,449	289,091	21,358	344,614	315,287	29,327
Capital Outlay	10,000	629	9,371	0	0	0
Debt Service:						
Principal Retirement	153,180	153,180	0	0	0	0
Interest and Fiscal Charges	34,199	34,199	0	0	0	0
Total Expenditures	13,431,527	13,498,860	(67,333)	519,673	488,405	31,268
Excess of Revenues Over (Under) Expenditures	(337,225)	(264,129)	73,096	(28,923)	(1,174)	27,749
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	1,198	1,484	286	1,000	0	(1,000)
Refund of Prior Year Expenditures	16,616	16,969	353	199	289	90
Advances - In	137	137	0	0	0	0
Advances - Out	(147,000)	(57,318)	89,682	0	0	0
Operating Transfers - In	117,930	109,589	(8,341)	0	0	0
Operating Transfers - Out	(188,891)	(180,550)	8,341	0	0	0
Total Other Financing Sources (Uses)	(200,010)	(109,689)	90,321	1,199	289	(910)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(537,235)	(373,818)	163,417	(27,724)	(885)	26,839
Fund Balances at Beginning of Year	1,164,440	1,164,440	0	155,458	155,458	0
Prior Year Encumbrances Appropriated	412,964	412,964	0	38,406	38,406	0
Fund Balances at End of Year	\$1,040,169	\$1,203,586	\$163,417	\$166,140	\$192,979	\$26,839

See accompanying notes to the general purpose financial statements

DEBT SERVICE FUND			CAPITAL PROJECT FUNDS			EXPENDABLE TRUST FUND		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$1,176,884	\$983,072	(\$193,812)	\$259,487	\$254,048	(\$5,439)	\$0	\$0	\$0
115,076	115,140	64	94,430	94,467	37	0	0	0
0	0	0	7,634	7,634	0	0	816	816
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	5,256	5,282	26
1,291,960	1,098,212	(193,748)	361,551	356,149	(5,402)	5,256	6,098	842
0	0	0	24,712	14,442	10,270	895	578	317
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	31,791	32,138	(347)	4,680	2,780	1,900
0	0	0	53,010	87,126	(34,116)	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	100,380	100,380	0	0	0	0
16,575	15,314	1,261	4,368	5,684	(1,316)	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	247,177	248,620	(1,443)	0	0	0
0	0	0	115,687	190,016	(74,329)	111	84	27
0	0	0	0	0	0	0	0	0
0	0	0	7,740	7,740	0	0	0	0
0	0	0	20,386	23,623	(3,237)	0	0	0
0	0	0	37,593	847,672	(810,079)	0	0	0
1,035,000	1,035,000	0	0	0	0	0	0	0
428,083	428,083	0	0	0	0	0	0	0
1,479,658	1,478,397	1,261	642,844	1,557,441	(914,597)	5,686	3,442	2,244
(187,698)	(380,185)	(192,487)	(281,293)	(1,201,292)	(919,999)	(430)	2,656	3,086
200,000	200,000	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	174,273	57,318	(116,955)	0	0	0
0	0	0	0	0	0	0	0	0
302,493	277,746	(24,747)	0	0	0	0	0	0
(13,035)	0	13,035	(206,785)	(206,785)	0	0	0	0
489,458	477,746	(11,712)	(32,512)	(149,467)	(116,955)	0	0	0
301,760	97,561	(204,199)	(313,805)	(1,350,759)	(1,036,954)	(430)	2,656	3,086
463,171	463,171	0	442,829	442,829	0	2,394	2,394	0
0	0	0	944,777	944,777	0	280	280	0
\$764,931	\$560,732	(\$204,199)	\$1,073,801	\$36,847	(\$1,036,954)	\$2,244	\$5,330	\$3,086

STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN RETAINED EARNINGS
 NON-EXPENDABLE TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 1999

	NON- EXPENDABLE TRUST
Operating Revenues:	
Interest	\$1,585
Donations	<u>29,687</u>
Total Operating Revenues	<u>31,272</u>
Operating Expenses:	
Scholarships	<u>2,000</u>
Total Operating Expenses	<u>2,000</u>
Net Income	29,272
Retained Earnings at Beginning of Year	<u>28,775</u>
Retained Earnings at End of Year	<u><u>\$58,047</u></u>

See accompanying notes to the general purpose financial statements

STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
 NONEXPENDABLE TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 1999

NONEXPENDABLE TRUST FUND

	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:			
Interest	\$2,000	\$1,585	(\$415)
Gifts and Donations	19,051	29,687	10,636
Total Revenues	<u>21,051</u>	<u>31,272</u>	<u>10,221</u>
Expenses:			
Scholarships	<u>3,000</u>	<u>3,000</u>	<u>0</u>
Total Expenses	<u>3,000</u>	<u>3,000</u>	<u>0</u>
Excess of Revenues Over (Under) Expenses Before Operating Transfers	18,051	28,272	10,221
Advances - Out	<u>(137)</u>	<u>(137)</u>	<u>0</u>
Excess of Revenues Over (Under) Expenses and Operating Transfers	17,914	28,135	0
Fund Equity at Beginning of Year	27,775	27,775	0
Prior Year Encumbrances Appropriated	<u>1,000</u>	<u>1,000</u>	<u>0</u>
Fund Equity at End of Year	<u><u>\$46,689</u></u>	<u><u>\$56,910</u></u>	<u><u>\$10,221</u></u>

See accompanying notes to the general purpose financial statements

STATEMENT OF CASH FLOWS
NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30,1999

	NON- EXPENDABLE TRUST
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Donations	\$29,687
Cash Payments for Scholarships	(1,000)
Net Cash Used In Operating Activities	28,687
Cash Flows from Noncapital Financing Activities:	
Advance - Out	(137)
Net Cash Provided by Noncapital Financing Activities	(137)
Cash Flows from Investing Activities:	
Interest	1,585
Net Decrease in Cash and Cash Equivalents	30,135
Cash and Cash Equivalents Beginning of Year	28,775
Cash and Cash Equivalents End of Year	\$58,910
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:	
Operating Income	\$29,272
Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:	
Interest Reported as Operating Income	(1,585)
Changes in Liabilities:	
Increase in Accounts Payable	1,000
Net Cash Used In Operating Activities	\$28,687

See accompanying notes to the general purpose financial statements

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

Sugarcreek Local School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The first official body designated as the Sugarcreek Local School District was formed sometime prior to 1930.

The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by state and/or federal agencies. This Board controls the district's instructional/support facilities staffed by a full-time equivalent staff of 252 employees. There are 162 certificated employees including 9 administrators and 90 classified support staff including 3 administrators, who provide services to 2,602 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 that the financial statements of the School District are not misleading.

The primary government consists of all funds and departments which provide various services including instruction, student guidance, extracurricular activities, educational media and care and upkeep of grounds and buildings. The operation of each of these activities is directly controlled by the Board of Education.

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 body and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations for which the School District approves the budget, the issuance of debt or the levying of taxes.

The School District does not have any component units.

The District is associated with three organizations which are defined as jointly governed. These organizations include the Miami Valley Educational Cooperative Association, the Southwestern Ohio Educational Purchasing Cooperative and the Greene County Career Center. These organizations are presented in Note 15 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Sugarcreek Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Basis of Presentation - Fund Accounting

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

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

Governmental Fund Types

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

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

Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or major capital projects) that are legally restricted to expenditure for specific purposes.

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

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

Fiduciary Funds

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments and other funds. These include expendable trust, non-expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Non-expendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

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

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

General Long-Term Obligations Account Group - This account group is used to account for all long-term indebtedness of the School District that is not a specific liability of the proprietary or trust funds.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

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

All non-expendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e. net total assets) includes retained earnings. Non-expendable trust funds' operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. All governmental fund types, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition and grants.

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. The costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the non-expendable fund. Revenues are recognized when they are earned and become measurable and expenses are recognized when incurred, if measurable. There were no unbilled service charges receivable at year end.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Greene County Budget Commission for rate determination.

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Appropriations (Continued)

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

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. NOTE Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for enterprise funds. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditure for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations

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

Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in central bank accounts. Monies for all funds are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented on the balance sheet as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 1999, investments were limited to repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

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

Under existing Ohio statutes, all investment earnings are distributed to the General Fund except those specifically related to certain trust and student activity funds. Interest income earned in fiscal year 1999 amounted to \$189,868.

Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. See Note 20 for further information.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Supplies Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999 are recorded as prepaid items by using the consumption method and recording a current asset for the prepaid amount and reflecting the expenditure in the current year in which services are consumed.

Short-Term Interfund Receivables/Payables

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

Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed asset account group. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$500. The District does not have any infrastructure.

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

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

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned when both of these conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

A liability for sick leave is accrued using the vesting method which states that the District will estimate its liability based on sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as specified by the retirement system as well as other employees who are expected to become eligible in the future to receive such payments. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

For governmental funds, the District provides a liability for accumulated, unpaid vacation time and sick leave for eligible employees in the period in which the employee becomes eligible to receive payment. The current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after fiscal year-end are considered not to have used current financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations accounts group until due.

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds.

Reservations and Designation of Fund Equity

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure or the portion of fund balance that is legally segregated for a specific future use. Fund balances have been reserved for encumbrances, supplies inventory, prepaid items, taxes and a budget stabilization reserve.

Intergovernmental Revenues

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

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

Entitlements

General Fund

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

Non-Reimbursable Grants

Special Revenue Funds

- Teacher Development
- Data Communications
- Education Management Information Systems
- Title VI
- Title VI-B
- Textbook Subsidy

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intergovernmental Revenues (Continued)

Capital Project Funds
Video Distance Learn

Reimbursable Grants
General Fund
Driver Education

Grants and entitlements amounted to approximately thirty-three percent of the School District's operating revenue during the 1999 fiscal year.

Interfund Transactions

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

All other interfund transactions are reported as operating transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers.

Estimates

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

Total Columns on General Purpose Financial Statements

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

NOTE 3 - BUDGET TO GAAP RECONCILIATION

Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law requires accounting for certain transactions on the basis of cash receipts, disbursements, appropriations and encumbrances. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations.

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual (Budget Basis), All Governmental Fund Types and Expendable Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity, Budget and Actual (Budget Basis), Nonexpendable Trust Fund, are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 3 - BUDGET TO GAAP RECONCILIATION (Continued)

Budgetary Basis of Accounting (Continued)

The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental fund types or note disclosure for proprietary fund types (GAAP basis).
4. Proceeds from and principal payments on debt obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

The adjustments necessary to convert the results of operations for the year ended June 30, 1999 on the GAAP basis to the budget basis are as follows:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
	Governmental Fund Types and Expendable Trust Funds				
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Expendable Trust Fund</u>
GAAP Basis	\$286,413	\$40,167	\$260,508	(\$1,187,075)	\$4,406
Revenue Accruals	(516,854)	0	(55,230)	36,828	0
Expenditure Accruals	298,667	(2,251)	0	(136,398)	0
Encumbrances	(339,569)	(38,801)	0	(64,114)	(1,750)
Debt Principal Payments	8,093	0	(300,000)	0	0
Debt Interest Payments	3,106	0	(7,717)	0	0
Advances In (Out)	(57,181)	0	0	0	0
Note Proceeds	0	0	200,000	0	0
Inception of Capital Lease	(56,493)	0	0	0	0
Budget Basis	(\$373,818)	(\$885)	\$97,561	\$1,350,759	\$2,656

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 3 - BUDGET TO GAAP RECONCILIATION (Continued)

Budgetary Basis of Accounting (Continued)

Net Income /Excess of Revenues Over (Under) Expenses and Operating Transfers Nonexpendable Trust Fund	
	Nonexpendable <u>Trust</u>
GAAP Basis (as reported)	\$29,272
Adjustments:	
Expenditure Accruals	1,000
Encumbrances	<u>(2,000)</u>
Budget Basis	<u>\$28,135</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes require the classification of monies held by the School District into three categories.

Category 1 consists of "active" monies, those monies required to be kept in a "cash" or "near-cash" status for immediate use by the District. Such monies must be maintained either as cash in the School Treasury, in depository accounts payable or withdrawals on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Category 2 consists of "inactive" monies, those monies not required for use within the current two-year period of designation of depositories. Inactive monies may be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

Category 3 consists of "interim" monies, 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 passbook accounts.

Protection of the 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 money deposited with the institution.

In general, investments must mature or be redeemable within two years from the date of purchase. Interim monies may be invested in the following obligations:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or 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 governmental agencies or instrumentalities;

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time;

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, if the securities are not represented by a certificate, upon receipt of confirmation or transfer from the custodian.

Deposits

At fiscal year end, the carrying amount of the School District's deposits was \$268,757 and the bank balance was \$2,900,215. Of the bank balance \$207,880 was covered by federal deposit insurance. The remaining amounts were uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments

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

The District invests in overnight repurchase agreements. At June 30, 1999 these investments were stated at \$2,277,363 as a category 3 investment.

The classification of cash and cash equivalents, and investments on the financial statements is based on criteria set forth in GASB Statement No. 9, "Reported Cash Flows of Proprietary and Non-Expendable Trust

Funds and Governmental Entities That Use Proprietary Fund Accounting." Cash equivalents are defined to include investments with original maturities of three months or less.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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

	Cash and Cash Equivalents <u>Deposits</u>	<u>Investments</u>
GASB Statement 9	\$2,546,120	\$0
Investments of the Cash Management Pool:		
Repurchase Agreements	<u>(2,277,363)</u>	<u>\$2,277,363</u>
GASB Statement 3	<u>\$ 268,757</u>	<u>\$2,277,363</u>

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be reevaluate every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by July 20.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the Sugarcreek Local School District. The County Auditor periodically remits to the District its portion of the taxes collected. The full tax rate for all District operations for the year ended June 30, 1998 was \$54.30 per \$1,000 of assessed value. The assessed values upon which the fiscal year 1999 taxes were collected are as follows:

	<u>1998 First- Half Collections</u>	<u>1999 Second- Half Collections</u>
Agricultural/Residential and Other Real Estate	\$258,621,640	\$268,625,630
Public Utility Personal	19,523,770	21,281,240
Tangible Personal Property	<u>9,188,372</u>	<u>8,685,359</u>
Total	<u>\$287,333,782</u>	<u>\$298,592,229</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 5 - PROPERTY TAXES (Continued)

Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of June 30, 1999. Although total property tax collections for the next year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 was \$891,323 in the General Fund, \$112,696 in the Bond Retirement Debt Service Fund and \$20,490 in the Permanent Improvement Capital Projects Fund. These amounts have been set aside as a reserve of fund balance.

NOTE 6 - RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs.

A summary of the intergovernmental receivables follows:

GENERAL FUND

Miscellaneous Intergovernmental Receivable	\$20,802
Dayton City Schools	10,127
Greene County	<u>569</u>
Total Intergovernmental Receivable	<u>\$31,498</u>

NOTE 7 - FIXED ASSETS

Changes in general fixed assets during the fiscal year ended June 30, 1999 were as follows:

Class	Balance June 30, <u>1998</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>1999</u>
Land	\$1,094,008	\$ 0	\$ 0	\$1,094,008
Improvements to Land	911,371	180	0	911,551
Buildings	15,675,809	8,010	0	15,683,819
Equipment	5,290,079	201,755	270,187	5,221,647
Vehicles	<u>1,422,465</u>	<u>385,775</u>	<u>223,009</u>	<u>1,585,231</u>
Totals	<u>\$24,393,732</u>	<u>\$595,720</u>	<u>\$493,196</u>	<u>\$24,496,256</u>

NOTE 8 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The Sugarcreek Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement System Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

School Employees Retirement System (Continued)

SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614)222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the Sugarcreek Local School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. 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 required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$235,194, \$224,186, and \$355,367, respectively; 34 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$154,058 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds and the general long-term debt account group.

State Teachers Retirement System

The Sugarcreek Local 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 System Board. STRS provides basic retirement benefits, disability, survivor and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614)227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Sugarcreek Local School District is required to contribute 14 percent. 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; 12 percent was the portion used to fund pension obligations. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$898,097, \$859,485 and \$881,273, respectively; 83 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$156,604 representing the unpaid contribution for fiscal year 1999, 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 SERS/STRS. As of June 30, 1999, one member of the Board of Education has elected social security.

NOTE 9 - 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 funded on a pay-as-you-go basis.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

(Continued)

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Retirement Board allocates employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1998, the board allocated employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund. The Health Care Reserve Fund allocation for the year ended June 30, 1999 was eight percent of covered payroll. For the School District, this amount equaled \$513,198 during the 1999 fiscal year.

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

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

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 1998, the allocations rate is 4.98%. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the members pay, pro-rated for partial service credit. For fiscal year 1998, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including surcharge, equaled \$106,893 during the 1999 fiscal year.

NOTE 10 - OTHER EMPLOYEE BENEFITS

Compensated Absences

Accumulated Unpaid Vacation

District classified employees earn vacation leave at varying rates based upon negotiated agreements and State laws. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave. The total obligation for vacation leave for the District as a whole amounted to \$60,145 at June 30, 1999.

Accumulated Unpaid Sick Leave

Sick leave may be accumulated by district employees. Upon retirement, payment is made for one-fourth of the total unused sick leave balance up to a maximum of sixty days for certified and classified employees. The total obligation for sick leave accrual for the District as a whole as of June 30, 1999 was \$648,369.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

(Continued)

NOTE 10 - OTHER EMPLOYEE BENEFITS (Continued)

Compensated Absences (Continued)

Compensatory Leave (Continued)

Certain employees are allowed to accumulate hours for time worked up to a maximum of 240 hours. The employee has the option of taking the hours as time off or as paid leave. In the case of death or retirement, an employee (or his estate) is paid for unused compensatory leave. The total obligation for compensatory leave for the district as a whole amounted to \$29,905 at June 30, 1999.

NOTE 11 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 1999, the

School District contracted with Indiana Insurance Company for building and business property insurance. This policy has a limit of insurance in the amount of \$36,962,522 for property and a \$1,000 deductible. Boiler and Crime are included in the policy. Fleet insurance has a \$250,000 limit of liability and a variable deductible between zero and \$1,000. General liability insurance is under Nationwide Insurance and has a \$2,000,000 per occurrence and \$5,000,000 aggregate limitation. The superintendent, treasurer and board president are all bonded separately.

The District is a member of the Southwestern Ohio Educational Purchasing Cooperative (SOEPC). The cooperative contracts with Accordia, Inc. to provide an insurance purchasing pool for workers compensation. The intent of the pool is to achieve the benefit of a reduced premium for the School District by virtue of its grouping an representation with other participants in the pool. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the pool. Each participant pays its workers compensation premium to the State based on the rate for the pool rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the pool. A participant will then either receive money from or be required to contribute to the pool. This equity pooling arrangement insures that each participant shares equally in the overall performance of the pool. Participation in the pool is limited to school districts that can meet the pool's selection criteria. Accordia, Inc. provides administrative, cost control and actuarial services to the SOEPC. The School District has elected to provide employee medical benefits through Anthem PPO. The board picks up ninety percent of the monthly premium for certified employees. Employees working less than seven hours a day pay a prorated share of the monthly premium based on the number of hours worked.

Dental benefits are provided through CoreSource with the Board picking up the total cost for employees that work seven hours a day or more.

The School District provides life insurance to employees through CoreSource.

NOTE 12 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During fiscal year 1999 a new lease for a copier was entered into by the District. The terms of the agreement provide an option 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 in the Combined Financial Statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the general fixed asset account group in an amount equal to the present value of the future minimum lease payments at the time of acquisition. The copier has a value of \$56,493 and is classified as equipment. A corresponding liability was recorded in the general long-term debt account group. Principal payments in fiscal year 1999 totaled \$8,093.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 12 - CAPITALIZED LEASES - LESSEE DISCLOSURE (Continued)

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 1998.

<u>Fiscal Year Ending June 30,</u>	<u>General Long-Term Debt</u>
2000	\$ 13,438
2001	13,439
2002	13,438
2003	13,439
2004	2,240

Total Minimum Lease Payments	\$55,994
Less: Amount Representing Interest	<u>(7,594)</u>
Present Value of Minimum Lease Payments	<u>\$ 48,400</u>

NOTE 13 - LONG-TERM OBLIGATIONS

Long term obligations at June 30, 1999 were as follows:

General Long-Term Obligations

	<u>Balance June 30, 1998</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 1999</u>
5.375% - 1978				
General Obligation Bonds				
School Improvement	\$140,000	\$0	\$35,000	\$105,000
2.45%-5.15% - 1994				
General Obligating Bonds				
School Improvement	8,049,485	0	45,000	7,404,485
5.15% - 1996				
General Obligation Bonds				
School Improvement	77,680	0	77,680	0
Energy Conservation Loan	914,000	0	130,500	783,500
Compensated Absences	754,314	0	42,368	711,946
Capital Lease Obligation	19,326	56,493	27,419	48,400
Intergovernmental Payable	<u>76,848</u>	<u>10,368</u>	<u>0</u>	<u>87,216</u>
Total General Long-Term Obligations	<u>\$10,031,653</u>	<u>\$66,861</u>	<u>\$957,967</u>	<u>\$9,140,547</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

The School District's voted legal debt margin was \$16,422,573 with an unvoted debt margin of \$298,592 at June 30, 1999.

The general obligation bond issues will be paid through the debt service fund from property taxes collected by the County Auditor. In fiscal year 1994 the district issued \$10,000,000 in general obligation bonds for the construction of a new high school.

The energy conservation loan will be repaid with taxes from the general fund.

The capital lease obligation will be repaid from the General Fund. Compensated absences will be paid from the fund from which the person is paid if the funds are available, otherwise, from the General Fund.

The intergovernmental payable represents the long-term portion of the pension obligation payable to the School Employees Retirement System.

Principal and interest requirements to retire the District's long-term obligations outstanding at June 30, 1999 are as follows:

Fiscal Year <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2000	565,500	354,388
2001	580,500	329,111
2002	600,500	302,576
2003	585,500	275,541
2004-06	1,391,140	960,661
2007-11	1,589,845	1,920,166
2012-16	<u>2,980,000</u>	<u>326,896</u>
 Total	 <u>\$8,292,985</u>	 <u>\$4,469,339</u>

NOTE 14 - SHORT-TERM OBLIGATION

The following is a summary of the note activity for the District at June 30, 1999:

	<u>Balance June 30, 1998</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 1999</u>
School Improvement 4.03% Bond Anticipation Note	\$300,000	\$200,000	\$300,000	\$200,000
Tax Anticipation Note	1,435,000	0	0	1,435,000

The first note is issued in anticipation of long-term financing and will be refinanced until such bonds are issued. They are backed by the full faith and credit of the District and mature within one year. These notes are recorded in the Bond Retirement Debt Service Fund.

The District issued a five year tax anticipation note for various permanent improvements of the School District's school buildings. The debt will be repaid from proceeds of a tax levy collected by the County Auditor.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

(Continued)

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Educational Computer Association

The School District is a participant in the Miami Valley Computer Association (MVECA) which is a computer consortium. MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene and Highland Counties and Cities of Springfield, Wilmington, Washington Court House, Xenia and Hillsboro. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts.

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The School District paid MVECA \$24,441 for services provided during the year. Financial information can be obtained from Gary Bosserman, who serves as Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Cooperative

The School District is a member of the Southwestern Ohio Educational Purchasing Cooperative (SOEPC). The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools within geographical boundaries as defined by the SOEPC and to serve as a resource to member districts on matters related to business operations. The SOEPC elects one of its members as Chairperson and another as Vice-Chairperson. An Executive Committee is comprised of eleven members which include the Chairperson and Vice-Chairperson and a representative from the Fiscal Agent. Each new member pays an initiation fee in addition to the annual membership fee and other appropriate assessments.

Green County Career Center

The Greene County Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Greene County Career Center, 2960 West Enon Road, Xenia, Ohio 45385-9545.

NOTE 16 - CONTINGENT LIABILITIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

Litigation

The School District's attorney estimates that any potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

(Continued)

NOTE 17 - SCHOOL FUNDING COURT DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides a significant amount of monetary support to the School District. During fiscal year ended June 30, 1999, the School District received \$3,866,325 in school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

NOTE 18 - SUBSEQUENT EVENT

On July 15, 1999 the District received proceeds of \$150,000 in computer acquisition bonds with an interest rate of 4.55 percent. These bonds will be repaid by the General Fund with taxes collected by the County Auditor.

NOTE 19 - SET ASIDE DISCLOSURE

The following table represents the District's set-aside calculations for textbooks, capital acquisition and budget stabilization. Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

Amounts remaining at year-end that have been set-aside to satisfy statutory requirements are represented as a restricted asset on the balance sheet. A corresponding amount is reported as a reserve of fund balance.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$ 0	\$ 0	\$45,306	\$45,306
Current Year Set-aside Requirement	219,178	219,178	109,589	547,945
Current Year Offsets	(37,662)	(433,455)	0	(471,117)
Qualifying Disbursements	<u>(184,525)</u>	<u>(71,566)</u>	<u>0</u>	<u>(256,091)</u>
Total	<u>(3,009)</u>	<u>(285,843)</u>	<u>154,895</u>	<u>(133,957)</u>
Cash Balance Carried Forward to FY 1999	<u>0</u>	<u>0</u>	<u>154,895</u>	<u>154,895</u>
Amount Restricted for Budget Stabilization				<u>154,895</u>
Total Restricted Assets				<u>\$154,895</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 20 - ACCOUNTABILITY AND COMPLIANCE

- a. The following fund account had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41, Ohio Revised Code:

<u>Fund Type/Function</u>	<u>Excess</u>
Capital Projects Fund Type	
Building Fund	
Support Services - Pupils	
Capital Outlay	\$7,510

- b. Deficit Fund Balances

Fund balances at June 30, 1999 included the following individual fund deficit:

	<u>Deficit Balance</u>
<u>Capital Projects Fund</u>	
<u>Permanent Improvement Fund</u>	<u>(\$1,413,089)</u>

This GAAP-basis deficit will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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

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

Sugarcreek Local School District
Greene County
60 East South Street
Bellbrook, Ohio 45305

To the Board of Education:

We have audited the financial statements of Sugarcreek Local School District (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated February 2, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of finding as item 1999-10329-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 2, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 2, 2000.

Sugarcreek Local School District
Greene County
Independent Accountants Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

February 2, 2000

**SCHEDULE OF FINDING
FOR THE YEAR ENDED JUNE 30, 1999**

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

Finding Number	1999-10329-001
-----------------------	-----------------------

Ohio Rev. Code Section 5705.41 (B), outlines the restrictions on the appropriation and expenditure of money by the District. The requirement establishes that no subdivision or taxing unit is to expend money unless it has been appropriated. The Rev. Code further outlines that appropriations should not be exceeded by expenditures and purchase commitments.

Budgetary laws and regulations were tested throughout the audit period at the legal level of control. The legal level of control is the level (fund/function/object) at which the appropriation resolution is adopted by the Board of Education.

The exception by fund/function/object included at June 30:

<u>Fund/Function/Object</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
Capital Projects Fund Type Building Fund Support Services - Pupils Capital Outlay	\$ 14,631	\$ 22,141	\$ (7,510)

The District should develop procedures for monitoring appropriations and expenditures at the level adopted by the Board. These procedures could include but not be limited to a more detailed review of various budgetary reports that are available to the District.

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 1999**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-10329-001	ORC 5705.39 Appropriations exceeding estimated resources	Yes	N/A
1998-10329-002	ORC 5705.41(B) Expenditures exceeding appropriations	No	Repeated



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

SUGARCREEK LOCAL SCHOOL DISTRICT

GREENE 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
APRIL 18, 2000**