



TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

MIAMI COUNTY

SINGLE AUDIT

JULY 1, 2000 - JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Tipp City Exempted Village School District
90 South Tippecanoe Drive
Tipp City, Ohio 45371

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Tipp City Exempted Village School District (the District), Miami County, as of and for the year ended June 30, 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Tipp City Exempted Village School District, Miami County, as of June 30, 2001, and the results of its operations and cash flows of its proprietary fund type for the 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 December 13, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

December 13, 2001

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TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
Assets and Other Debits:				
<i>Assets:</i>				
Cash and Cash Equivalents	\$1,358,330	\$277,631	\$678,540	\$416,777
Investments	0	0	20,000,000	19,431,274
Receivables (net of allowance for doubtful accounts):				
Taxes	7,660,080	0	1,410,892	579,437
Accounts	0	0	12,947	0
Intergovernmental	37,008	0	0	0
Interfund Loans Receivable	20,000	0	0	0
Inventory of Supplies at Cost	0	0	0	0
Prepaid Items	38,559	7,871	0	0
Restricted Assets:				
Cash and Cash Equivalents	53,018	0	59,281	0
Cash with Fiscal Agents	0	248	7,422	0
Fixed Assets (net of accumulated depreciation)	0	0	0	0
<i>Other Debits:</i>				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	\$9,166,995	\$285,750	\$22,169,082	\$20,427,488
Liabilities, Equity and Other Credits:				
<i>Liabilities:</i>				
Accounts Payable	\$54,218	\$14,954	\$0	\$120,322
Accrued Wages and Benefits	1,250,562	10,936	0	0
Intergovernmental Payables	256,901	273	0	0
Interfund Loans Payable	0	20,000	0	0
Due to Students	0	0	0	0
Matured Bonds and Interest Payable	0	0	66,703	0
Accrued Interest Payable	0	0	0	441,354
Deferred Revenue - Taxes	6,846,136	0	1,302,673	533,004
Deferred Revenue	0	0	0	0
General Obligation Notes Payable	0	0	0	20,000,000
Compensated Absences Payable	45,400	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	8,453,217	46,163	1,369,376	21,094,680
<i>Equity and Other Credits:</i>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	54,228	25,386	0	469,436
Statutory Reserves	53,018	0	0	0
Reserved for Prepaid Items	38,559	7,871	0	0
Reserved for Debt Service	0	0	20,799,706	0
Unreserved:				
Undesignated	567,973	206,330	0	(1,136,628)
Total Equity and Other Credits	713,778	239,587	20,799,706	(667,192)
Total Liabilities, Equity and Other Credits	\$9,166,995	\$285,750	\$22,169,082	\$20,427,488

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

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001

<i>Proprietary Fund Type</i>	<i>Fiduciary Fund Types</i>	<i>Account Groups</i>		Totals (Memorandum Only)
Enterprise Funds	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	
\$249,951	\$63,355	\$0	\$0	\$3,044,584
0	0	0	0	39,431,274
0	0	0	0	9,650,409
0	0	0	0	12,947
0	0	0	0	37,008
0	0	0	0	20,000
20,515	0	0	0	20,515
1,262	0	0	0	47,692
0	0	0	0	112,299
0	0	0	0	7,670
63,928	0	12,562,106	0	12,626,034
0	0	0	20,799,706	20,799,706
0	0	0	1,147,926	1,147,926
<u>\$335,656</u>	<u>\$63,355</u>	<u>\$12,562,106</u>	<u>\$21,947,632</u>	<u>\$86,958,064</u>
\$1,890	\$2,839	\$0	\$0	\$194,223
20,478	0	0	0	1,281,976
43,841	0	0	110,465	411,480
0	0	0	0	20,000
0	50,102	0	0	50,102
0	0	0	0	66,703
0	0	0	0	441,354
0	0	0	0	8,681,813
13,782	0	0	0	13,782
0	0	0	0	20,000,000
42,314	0	0	1,837,167	1,924,881
0	0	0	20,000,000	20,000,000
<u>122,305</u>	<u>52,941</u>	<u>0</u>	<u>21,947,632</u>	<u>53,086,314</u>
0	0	12,562,106	0	12,562,106
213,351	0	0	0	213,351
0	233	0	0	549,283
0	0	0	0	53,018
0	0	0	0	46,430
0	0	0	0	20,799,706
0	10,181	0	0	(352,144)
<u>213,351</u>	<u>10,414</u>	<u>12,562,106</u>	<u>0</u>	<u>33,871,750</u>
<u>\$335,656</u>	<u>\$63,355</u>	<u>\$12,562,106</u>	<u>\$21,947,632</u>	<u>\$86,958,064</u>

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<i>Governmental Fund Types</i>			<i>Fiduciary Fund Type</i>		Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Fund	
Revenues:						
Local Sources:						
Taxes	\$8,038,789	\$0	\$707,203	\$598,055	\$0	\$9,344,047
Tuition	18,372	0	0	0	0	18,372
Investment Earnings	167,051	0	0	567,683	0	734,734
Extracurricular Activities	0	426,789	0	0	9,788	436,577
Intergovernmental - State	6,235,632	66,044	71,226	180,119	0	6,553,021
Intergovernmental - Federal	0	182,712	0	0	0	182,712
All Other Revenues	58,569	5,500	19,965	0	27,348	111,382
Total Revenues	<u>14,518,413</u>	<u>681,045</u>	<u>798,394</u>	<u>1,345,857</u>	<u>37,136</u>	<u>17,380,845</u>
Expenditures:						
<i>Current:</i>						
Instruction	8,350,953	191,980	0	133,826	27,485	8,704,244
Supporting Services:						
Pupils	634,258	4,426	0	0	0	638,684
Instructional Staff	706,019	20,261	0	0	0	726,280
Board of Education	17,231	0	0	0	0	17,231
Administration	1,614,293	0	0	0	0	1,614,293
Fiscal Services	355,638	0	0	0	0	355,638
Business	128,705	0	0	0	0	128,705
Operation and Maintenance of Plant	1,015,652	0	0	0	0	1,015,652
Pupil Transportation	563,727	0	0	107,680	0	671,407
Central	213,904	21,174	0	122,005	0	357,083
Extracurricular Activities	310,089	426,992	0	0	9,284	746,365
Capital Outlay	0	0	0	1,441,854	0	1,441,854
<i>Debt Service:</i>						
Interest and Fiscal Charges	0	0	10,185	441,354	0	451,539
Total Expenditures	<u>13,910,469</u>	<u>664,833</u>	<u>10,185</u>	<u>2,246,719</u>	<u>36,769</u>	<u>16,868,975</u>
Excess (Deficiency) of						
Revenues Over (Under) Expenditures	607,944	16,212	788,209	(900,862)	367	511,870
Other Financing Sources (Uses):						
Proceeds from General Obligation Bonds	0	0	20,000,000	0	0	20,000,000
Proceeds from Sale of Fixed Assets	1,775	0	0	0	0	1,775
Refund of Prior Years' Expenditures	37,008	0	0	0	0	37,008
Total Other Financing Sources (Uses)	<u>38,783</u>	<u>0</u>	<u>20,000,000</u>	<u>0</u>	<u>0</u>	<u>20,038,783</u>
Excess (Deficiency) of Revenues						
and Other Financing Sources Over (Under)						
Expenditures and Other Financing Uses	646,727	16,212	20,788,209	(900,862)	367	20,550,653
Fund Balance Beginning of Year	67,051	223,375	11,497	233,670	10,047	545,640
Fund Balance (Deficit) End of Year	<u>\$713,778</u>	<u>\$239,587</u>	<u>\$20,799,706</u>	<u>(\$667,192)</u>	<u>\$10,414</u>	<u>\$21,096,293</u>

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

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**TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Local Sources:						
Taxes	\$7,663,005	\$7,666,244	\$3,239	\$0	\$0	\$0
Tuition	18,372	18,372	0	0	0	0
Investment Earnings	167,051	167,051	0	0	0	0
Extracurricular Activities	0	0	0	426,564	426,789	225
Intergovernmental - State	6,145,269	6,242,982	97,713	66,044	66,044	0
Intergovernmental - Federal	0	0	0	178,555	178,555	0
All Other Revenues	58,569	58,569	0	5,500	5,500	0
Total Revenues	<u>14,052,266</u>	<u>14,153,218</u>	<u>100,952</u>	<u>676,663</u>	<u>676,888</u>	<u>225</u>
Expenditures:						
<i>Current:</i>						
Instruction	8,433,752	8,355,604	78,148	261,626	211,857	49,769
Supporting Services:						
Pupils	631,130	624,662	6,468	7,002	4,721	2,281
Instructional Staff	761,837	692,409	69,428	17,366	14,634	2,732
Board of Education	27,400	17,336	10,064	0	0	0
Administration	1,640,975	1,599,908	41,067	0	0	0
Fiscal Services	374,159	357,926	16,233	0	0	0
Business	134,450	128,987	5,463	0	0	0
Operation and Maintenance of Plant	1,093,427	1,041,989	51,438	0	0	0
Pupil Transportation	659,723	611,829	47,894	0	0	0
Central	250,749	226,552	24,197	47,561	40,416	7,145
Extracurricular Activities	329,543	313,346	16,197	498,009	429,055	68,954
<i>Capital Outlay</i>	0	0	0	0	0	0
<i>Debt Service:</i>						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	<u>14,337,145</u>	<u>13,970,548</u>	<u>366,597</u>	<u>831,564</u>	<u>700,683</u>	<u>130,881</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(284,879)	182,670	467,549	(154,901)	(23,795)	131,106
Other Financing Sources (Uses):						
Proceeds from General Obligation Bonds	0	0	0	0	0	0
Proceeds from General Obligation Notes	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	1,775	1,775	0	0	0	0
Refund of Prior Years' Expenditures	21,760	21,761	1	0	0	0
Operating Transfers Out	(100)	0	100	0	0	0
Advances In	19,496	19,496	0	20,000	20,000	0
Advances Out	(20,000)	(20,000)	0	(19,496)	(19,496)	0
Total Other Financing Sources (Uses)	<u>22,931</u>	<u>23,032</u>	<u>101</u>	<u>504</u>	<u>504</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(261,948)	205,702	467,650	(154,397)	(23,291)	131,106
Fund Balance at Beginning of Year	1,016,844	1,016,844	0	215,281	215,281	0
Prior Year Encumbrances	80,356	80,356	0	48,312	48,312	0
Fund Balance at End of Year	<u>\$835,252</u>	<u>\$1,302,902</u>	<u>\$467,650</u>	<u>\$109,196</u>	<u>\$240,302</u>	<u>\$131,106</u>

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

(Continued)

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<i>Debt Service Fund</i>			<i>Capital Projects Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Local Sources:						
Taxes	\$598,984	\$598,984	\$0	\$579,232	\$579,232	\$0
Tuition	0	0	0	0	0	0
Investment Earnings	0	0	0	567,683	567,683	0
Extracurricular Activities	0	0	0	0	0	0
Intergovernmental - State	71,226	71,226	0	180,119	180,119	0
Intergovernmental - Federal	0	0	0	0	0	0
All Other Revenues	7,018	7,018	0	0	0	0
Total Revenues	677,228	677,228	0	1,327,034	1,327,034	0
Expenditures:						
Current:						
Instruction	0	0	0	222,212	142,966	79,246
Supporting Services:					0	
Pupils	0	0	0	0	0	0
Instructional Staff	0	0	0	0	0	0
Board of Education	0	0	0	0	0	0
Administration	0	0	0	0	0	0
Fiscal Services	0	0	0	0	0	0
Business	0	0	0	0	0	0
Operation and Maintenance of Plant	0	0	0	0	0	0
Pupil Transportation	0	0	0	109,163	107,680	1,483
Central	0	0	0	125,100	124,700	400
Extracurricular Activities	0	0	0	0	0	0
Capital Outlay	0	0	0	10,452,475	1,931,656	8,520,819
Debt Service:						
Principal Retirement	735,100	0	735,100	0	0	0
Interest and Fiscal Charges	15,000	10,185	4,815	0	0	0
Total Expenditures	750,100	10,185	739,915	10,908,950	2,307,002	8,601,948
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(72,872)	667,043	739,915	(9,581,916)	(979,968)	8,601,948
Other Financing Sources (Uses):						
Proceeds from General Obligation Bonds	20,000,000	20,000,000	0	0	0	0
Proceeds from General Obligation Notes	0	0	0	20,000,000	20,000,000	0
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Refund of Prior Years' Expenditures	0	0	0	0	0	0
Operating Transfers Out	0	0	0	0	0	0
Advances In	0	0	0	0	0	0
Advances Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	20,000,000	20,000,000	0	20,000,000	20,000,000	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	19,927,128	20,667,043	739,915	10,418,084	19,020,032	8,601,948
Fund Balance at Beginning of Year	11,497	11,497	0	51,693	51,693	0
Prior Year Encumbrances	0	0	0	186,618	186,618	0
Fund Balance at End of Year	\$19,938,625	\$20,678,540	\$739,915	\$10,656,395	\$19,258,343	\$8,601,948

(Continued)

**TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Totals (Memorandum Only)</u>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Local Sources:			
Taxes	\$8,841,221	\$8,844,460	\$3,239
Tuition	18,372	18,372	0
Investment Earnings	734,734	734,734	0
Extracurricular Activities	426,564	426,789	225
Intergovernmental - State	6,462,658	6,560,371	97,713
Intergovernmental - Federal	178,555	178,555	0
All Other Revenues	71,087	71,087	0
Total Revenues	<u>16,733,191</u>	<u>16,834,368</u>	<u>101,177</u>
<u>Expenditures:</u>			
Current:			
Instruction	8,917,590	8,710,427	207,163
Supporting Services:			
Pupils	638,132	629,383	8,749
Instructional Staff	779,203	707,043	72,160
Board of Education	27,400	17,336	10,064
Administration	1,640,975	1,599,908	41,067
Fiscal Services	374,159	357,926	16,233
Business	134,450	128,987	5,463
Operation and Maintenance of Plant	1,093,427	1,041,989	51,438
Pupil Transportation	768,886	719,509	49,377
Central	423,410	391,668	31,742
Extracurricular Activities	827,552	742,401	85,151
Capital Outlay	10,452,475	1,931,656	8,520,819
Debt Service:			
Principal Retirement	735,100	0	735,100
Interest and Fiscal Charges	15,000	10,185	4,815
Total Expenditures	<u>26,827,759</u>	<u>16,988,418</u>	<u>9,839,341</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,094,568)	(154,050)	9,940,518
<u>Other Financing Sources (Uses):</u>			
Proceeds from General Obligation Bonds	20,000,000	20,000,000	0
Proceeds from General Obligation Notes	20,000,000	20,000,000	0
Proceeds from Sale of Fixed Assets	1,775	1,775	0
Refund of Prior Years' Expenditures	21,760	21,761	1
Operating Transfers Out	(100)	0	100
Advances In	39,496	39,496	0
Advances Out	(39,496)	(39,496)	0
Total Other Financing Sources (Uses)	<u>40,023,435</u>	<u>40,023,536</u>	<u>101</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	29,928,867	39,869,486	9,940,619
Fund Balance at Beginning of Year	1,295,315	1,295,315	0
Prior Year Encumbrances	315,286	315,286	0
Fund Balance at End of Year	<u>\$31,539,468</u>	<u>\$41,480,087</u>	<u>\$9,940,619</u>

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<u><i>Enterprise Funds</i></u>
<u>Operating Revenues:</u>	
Tuition and Fees	\$77,608
Sales	481,460
Other Operating Revenues	<u>962</u>
Total Operating Revenues	<u>560,030</u>
<u>Operating Expenses:</u>	
Salaries and Wages	226,873
Fringe Benefits	70,640
Contractual Services	7,894
Materials and Supplies	379,653
Depreciation	<u>9,620</u>
Total Operating Expenses	<u>694,680</u>
Operating Loss	(134,650)
<u>Non-Operating Revenues (Expenses):</u>	
Federal Donated Commodities	47,390
Operating Grants	75,740
Investment Earnings	9,647
Loss on Disposal of Fixed Assets	<u>(2,186)</u>
Total Non-Operating Revenues (Expenses)	<u>130,591</u>
Net Loss	(4,059)
Retained Earnings at Beginning of Year	<u>217,410</u>
Retained Earnings at End of Year	<u><u>\$213,351</u></u>

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

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<i>Enterprise Funds</i>	<i>Internal Service Fund</i>	<i>Totals (Memorandum Only)</i>
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$482,422	\$0	\$482,422
Cash Received from Tuition and Fee Payments	77,608	0	77,608
Cash Payments for Goods and Services	(339,851)	(5)	(339,856)
Cash Payments to Employees for Services and Benefits	(293,906)	0	(293,906)
Net Cash Used by Operating Activities	<u>(73,727)</u>	<u>(5)</u>	<u>(73,732)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	85,375	0	85,375
Net Cash Provided by Noncapital Financing Activities	<u>85,375</u>	<u>0</u>	<u>85,375</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Payments for Capital Acquisitions	(6,808)	0	(6,808)
Net Cash Used for Capital and Related Financing Activities	<u>(6,808)</u>	<u>0</u>	<u>(6,808)</u>
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	9,647	0	9,647
Net Cash Provided by Investing Activities	<u>9,647</u>	<u>0</u>	<u>9,647</u>
Net Increase (Decrease) in Cash and Cash Equivalents	14,487	(5)	14,482
Cash and Cash Equivalents at Beginning of Year	235,464	5	235,469
Cash and Cash Equivalents at End of Year	<u>\$249,951</u>	<u>\$0</u>	<u>\$249,951</u>
<u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</u>			
Operating Loss	(\$134,650)	\$0	(\$134,650)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:			
Depreciation Expense	9,620	0	9,620
Donated Commodities Used During the Year	47,390	0	47,390
Changes in Assets and Liabilities:			
Increase in Inventory	(2,724)	0	(2,724)
Increase in Prepaid Items	(261)	0	(261)
Increase (Decrease) in Accounts Payable	1,035	(5)	1,030
Decrease in Accrued Wages and Benefits	(1,901)	0	(1,901)
Decrease in Intergovernmental Payables	(118)	0	(118)
Increase in Deferred Revenue	2,256	0	2,256
Increase in Compensated Absences	5,626	0	5,626
Total Adjustments	<u>60,923</u>	<u>(5)</u>	<u>60,918</u>
Net Cash Used by Operating Activities	<u>(\$73,727)</u>	<u>(\$5)</u>	<u>(\$73,732)</u>

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

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Tipp City Exempted Village School District, Ohio (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is governed by a locally elected five member Board of Education (the Board) which provides educational services.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. There were no potential component units that met the criteria imposed by GASB Statement No. 14 to be included in the District's reporting entity. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

The District is associated with organizations which are defined as insurance purchasing pool, a jointly governed organization, and a related organization. These organizations are presented in Notes 14, 16 and 17 to the general purpose financial statements.

The accounting policies and financial reporting practices of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are summarized by type in the general purpose financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

The following fund types and account groups are used by the District:

Governmental Funds - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the District's governmental fund types:

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

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than expendable trust, or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - This fund is used for the accumulation of resources for the payment of general long-term debt principal and interest.

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

Proprietary Funds - The proprietary funds are accounted for on a "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of the proprietary funds are included on the balance sheet. Fund equity (i.e., net assets) is segregated into contributed capital and retained earnings components. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds

Trust and Agency Funds - These funds are used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District maintains an expendable trust fund and an agency fund. The expendable trust fund is accounted for and reported similarly to a governmental fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

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

General Fixed Assets Account Group - This account group is established to account for fixed assets of the District other than those accounted for in the proprietary fund.

General Long-Term Obligations Account Group - This account group is established to account for all long-term debt and other long-term liabilities of the District except those accounted for in the proprietary funds.

C. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds and expendable trust and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Revenue considered susceptible to accrual at fiscal year end includes property taxes, tuition, grants and entitlements, student fees and interest on investments.

Current property taxes measurable at June 30, 2001, and which are not intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2001 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

D. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

All funds other than the agency fund are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the fund level. Budgetary modifications may only be made by resolution of the Board of Education.

1. Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

2. Estimated Resources

Prior to March 15, the Board 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 District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the fiscal year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2001.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each fiscal year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund level. The appropriation resolution may be amended during the fiscal year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the fiscal year with approval of the Board. During the fiscal year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-All Governmental Fund Types" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

6. Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the governmental funds:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis (as reported)	\$646,727	\$16,212	\$20,788,209	(\$900,862)
Increase (Decrease):				
Accrued Revenues at June 30, 2001, received during FY 2002	(870,952)	0	(121,166)	(46,433)
Accrued Revenues at June 30, 2000, received during FY 2001	490,006	0	0	27,610
Accrued Expenditures at June 30, 2001, paid during FY 2002	1,607,081	46,163	0	561,676
Accrued Expenditures at June 30, 2000, paid during FY 2001	(1,545,480)	(47,390)	0	(32,251)
Revenues of Unbudgeted Funds	0	(4,157)	0	0
Expenditures of Unbudgeted Funds	0	3,909	0	0
Proceeds of General Obligation Notes	0	0	0	20,000,000
FY 2000 Prepays for FY 2001	25,325	7,172	0	0
FY 2001 Prepays for FY 2002	(38,559)	(7,871)	0	0
Encumbrances Outstanding	(108,446)	(37,329)	0	(589,708)
Budget Basis	<u>\$205,702</u>	<u>(\$23,291)</u>	<u>\$20,667,043</u>	<u>\$19,020,032</u>

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and investments with original maturities of three months or less.

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each had maintained its own cash and investment account. See Note 4, "Cash, Cash Equivalents and Investments."

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District reports its repurchase agreements and money market funds at cost. See Note 4, "Cash, Cash Equivalents and Investments."

G. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental and expendable trust funds when purchased and as expenses in the proprietary funds when used.

H. Fixed Assets and Depreciation

The accounting and reporting treatment applied to fixed assets is determined by their ultimate use:

1. Property, Plant and Equipment - General Governmental Purposes

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received. The District does not possess any infrastructure.

General fixed asset values were initially determined at June 30, 1993 by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Assets valued at less than \$500 are not capitalized.

The District has elected not to record depreciation in the General Fixed Assets Account Group.

2. Property, Plant and Equipment - Proprietary Fund

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed fixed assets are recorded at fair market value at the date received. Assets valued at less than \$500 are not capitalized.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**H. Fixed Assets and Depreciation** (Continued)2. Property, Plant and Equipment - Proprietary Fund (Continued)

Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (years)</u>
Machinery, Equipment, Furniture and Fixtures	8-20

I. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
Compensated Absences	General Fund, Food Services Fund
Intergovernmental Payable	General Fund

J. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences", vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the vesting method. Employees may earn 15 days of sick leave per year up to a cumulative maximum of 210 days. Upon retirement, employees can receive a portion of the sick leave, between 27% to 39%, depending on the type of employment contract. In addition, Merit Service Retirement Award may be paid for sick leave balances in excess of the 210 days depending upon the type of employment contract. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

K. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. Interfund transactions are generally classified as follows:

- Operating transfers are reported as “Other Financing Sources and Uses” in the governmental funds, as “Operating Transfers In” by the recipient fund, and “Operating Transfers Out” by the disbursing fund.
- Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds.
- Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. There were no residual equity transfers made during the fiscal year.

Transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the District are similarly treated when involving other funds of the District.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish reserves for textbooks, capital acquisition, and budget stabilization. This reserve is required by state statute.

N. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for debt service, prepaid items, property taxes, statutory requirements, and encumbered amounts which have not been accrued at fiscal year end. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles, but not available for appropriations under state statute.

O. Total Columns on Combined Financial Statements - Overview

Total columns on the “Combined Financial Statements-Overview” are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2001, the District has implemented GASB Statement No. 33 “Accounting and Financial Reporting for Nonexchange Transactions” and GASB Statement No. 36 “Recipient Reporting for Certain Shared Nonexchange Revenues”. At June 30, 2000, there was no effect on fund balance as a result of implementing GASB 33 and GASB 36.

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficits at June 30, 2001 of \$6,238 in the Title V-I Fund and \$9,665 in the Chapter I Fund (special revenue) arise from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The fund deficit of \$969,857 in the Building Fund is the result of recording notes payable amounts in the individual fund balance sheet. A deficit does not exist under the budgetary basis of accounting.

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by a number of individual funds.

Statutes require the classification of funds held by the District into three categories. Category 1 consists of “active” funds - those funds required to be kept in a “cash” or “near cash” status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of “interim” funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 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 or interest by the United States;
- 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;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets 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, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,*" collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3.

The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3 Uncollateralized. (This category includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the District's name.)

Investments:

- Category 1 Insured or registered, or securities held by the District or its agent in the District's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name.

A. Deposits

At fiscal year end the carrying amount of the District's deposits was \$3,156,883 and the bank balance was \$3,292,411. The Federal Deposit Insurance Corporation (FDIC) covered \$202,470 of the bank balance. All remaining deposits were classified as Category 3.

Investment earnings of \$167,051 earned by other funds except the Food Service Fund were credited to the General Fund as required by state statute.

B. Cash with Fiscal Agents

In addition to deposits, the District had cash with fiscal agents in the amount of \$7,670, the entire amount was insured by the FDIC.

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Investments

The District's investments at June 30, 2001 were as follows:

	<u>Category 3</u>	<u>Fair Value</u>
Federal Farm Credit Notes	\$3,952,053	\$3,952,053
Federal Home Loan Bank Notes	9,675,667	9,675,667
Federal Home Loan Mortgage Corporation Notes	17,869,998	17,869,998
Federal National Mortgage Association Notes	7,933,556	7,933,556
Total Investments	<u>\$39,431,274</u>	<u>\$39,431,274</u>

NOTE 5 – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2001, the reserve activity (cash-basis) was as follows:

	<u>Textbook Reserve</u>	<u>Capital Acquisition Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Set-aside Cash Balance as of June 30, 2000	\$0	\$0	\$262,688	\$262,688
Current Year Set-Aside Requirement	322,398	322,398	0	644,796
Reduction in Requirement Based on Revised Legislation	0	0	(209,670)	(209,670)
Qualifying Disbursements	(392,543)	(374,729)	0	(767,272)
Total	<u>(\$70,145)</u>	<u>(\$52,331)</u>	<u>\$53,018</u>	<u>(\$69,458)</u>
Cash Balance Carried Forward to FY 2002	<u>\$0</u>	<u>\$0</u>	<u>\$53,018</u>	<u>\$53,018</u>
Amount Restricted for Budget Stabilization				<u>53,018</u>
Total Restricted Assets				<u>\$53,018</u>

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2001 were levied after October 1, 2000 on assessed values as of January 1, 2000, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last reappraisal was completed in 1996. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Tipp City Exempted Village School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed value upon which the fiscal year 2001 receipts were based are:

	2000 Second Half Collections	2001 First Half Collections
Agricultural/Residential and Other Real Estate	\$253,721,400	\$258,719,830
Public Utility Personal	15,610,230	15,266,640
Tangible Personal Property	40,826,780	49,182,090
Total Assessed Value	<u>\$310,158,410</u>	<u>\$323,168,560</u>
Tax rate per \$1,000 of assessed valuation	\$45.78	\$50.44

NOTE 7 - RECEIVABLES

Receivables at June 30, 2001 consisted of taxes and intergovernmental receivables.

NOTE 8 - INTERFUND RECEIVABLE AND PAYABLES

The composition of interfund balances as of June 30, 2001, is as follows:

	<u>Interfund Loans Receivable</u>	<u>Interfund Loans Payable</u>
General Fund	\$20,000	\$0
Special Revenue Funds:		
Chapter I Fund	0	10,000
Title V-I Fund	<u>0</u>	<u>10,000</u>
Total Special Revenue Funds	<u>0</u>	<u>20,000</u>
Totals	<u><u>\$20,000</u></u>	<u><u>\$20,000</u></u>

NOTE 9 - FIXED ASSETS

A. General Fixed Assets

Summary by category of changes in general fixed assets:

<u>Class</u>	<u>June 30, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2001</u>
Land	\$1,182,834	\$754,867	\$0	\$1,937,701
Buildings	6,338,433	0	0	6,338,433
Improvements Other than Buildings	558,741	0	0	558,741
Machinery and Equipment	2,502,623	114,092	(111,858)	2,504,857
Vehicles	<u>1,252,836</u>	<u>191,567</u>	<u>(222,029)</u>	<u>1,222,374</u>
Totals	<u><u>\$11,835,467</u></u>	<u><u>\$1,060,526</u></u>	<u><u>(\$333,887)</u></u>	<u><u>\$12,562,106</u></u>

B. Proprietary Fixed Assets

Summary by Category at June 30, 2001:

<u>Category</u>	<u>Historical Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Machinery and Equipment	<u>\$280,349</u>	<u>(\$216,421)</u>	<u>\$63,928</u>
Total Property, Plant and Equipment	<u><u>\$280,349</u></u>	<u><u>(\$216,421)</u></u>	<u><u>\$63,928</u></u>

NOTE 10 - DEFINED BENEFIT PENSION PLANS

All of the District's full-time employees participate in one of two separate retirement systems which are cost-sharing, multiple-employer defined benefit pension plans.

A. School Employees Retirement System of Ohio (SERS of Ohio)

All non-certified employees of the District, with minor exceptions, performing duties that do not require a certificate issued by the Ohio Department of Education are eligible to participate in the School Employees Retirement System of Ohio, a cost-sharing, multiple-employer public employee retirement system.

The SERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor 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. The SERS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the SERS of Ohio. Interested parties may obtain a copy by making a written request to SERS, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 2001, 4.2% was allocated to fund the pension benefit and 9.8% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 2001, 2000, and 1999 were \$332,712, \$279,176, and \$278,898, respectively, which were equal to the required contributions for each year.

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 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% of the premium. The portion of the 2001 employer contribution rate (identified above) that was used to fund health care for the year 2001 was 9.8%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2001, the minimum pay has been established as \$12,400. The amount contributed to fund health care benefits, including the surcharge amounted to \$266,428.

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 50,000. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available) were \$140,696,340 and the target level was \$211.0 million. Net assets available for payment of benefits at June 30, 2000 was \$252.3 million.

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio (STRS of Ohio)

All certified employees of the District are eligible to participate in the State Teachers Retirement System of Ohio, a cost-sharing, multiple-employer public employee retirement system.

The STRS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits based on eligible service credit to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. The STRS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the STRS of Ohio. Interested parties may obtain a copy by making a written request to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9.3%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. At June 30, 2001, 9.5% was allocated to fund the pension benefit and 4.5% to fund health care. The District's contributions to the STRS of Ohio for the years ending June 30, 2001, 2000, and 1999 were \$1,103,496, \$1,050,709, and \$979,308, respectively, which were equal to the required contributions for each year.

STRS provides postemployment health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to a Health Care Reserve Fund. For the fiscal year ended June 30, 2001, the board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund, which amounted to \$354,695 for the District. The balance of the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, the net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients.

NOTE 11 - NOTES PAYABLE

Notes Payable activity of the District for the year ended June 30, 2001, was as follows:

Note Payable		Balance June 30, 2000	Additions	Deletions	Balance June 30, 2001
Bond Anticipation Note 4.88%		\$0	\$10,000,000	\$0	\$10,000,000
Bond Anticipation Note 3.75%		0	10,000,000	0	10,000,000
		\$0	\$20,000,000	\$0	\$20,000,000

NOTE 12- COMPENSATED ABSENCES

The District provides a liability for accumulated unpaid sick leave and vacation time benefits when earned by employees. Accrued employee benefits for governmental funds not currently due and payable at fiscal year end are recorded in the General Long-Term Obligations Account Group. At June 30, 2001, the total accumulated unpaid sick and vacation time recorded in the General Long-Term Obligations Account Group were:

	Sick Leave	Vacation	Total
Liability	\$1,750,666	\$86,501	\$1,837,167

The portion attributable to the enterprise funds has been recorded within the respective fund and is not included in the figures presented above.

NOTE 13 - LONG-TERM OBLIGATIONS

Long-term obligations of the District at June 30, 2001 were as follows:

		<u>Balance June 30, 2000</u>	<u>Issued (Retired)</u>	<u>Balance June 30, 2001</u>
General Long-Term Debt:				
(General Obligation Bond)				
School Building	5.08%	\$0	\$20,000,000	\$20,000,000
Other General Long-Term Obligations:				
Intergovernmental Payable		106,910	3,555	110,465
Compensated Absences		<u>1,631,271</u>	<u>205,896</u>	<u>1,837,167</u>
Total General Long-Term Obligations		<u>1,738,181</u>	<u>209,451</u>	<u>1,947,632</u>
Total General Long-Term Debt and Other General Long-Term Obligations		<u>\$1,738,181</u>	<u>\$20,209,451</u>	<u>\$21,947,632</u>

A. Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2001 follows:

<u>Years</u>	<u>General Obligation Bond</u>	
	<u>Principal</u>	<u>Interest</u>
2002	\$270,000	\$1,087,517
2003	445,000	940,995
2004	345,000	925,195
2005	365,000	910,995
2006	460,000	894,495
2007-2011	2,475,000	4,661,577
2012-2016	4,290,000	3,446,732
2017-2021	5,550,000	2,170,500
2022-2025	5,800,000	608,500
Totals	<u>\$20,000,000</u>	<u>\$15,646,506</u>

NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operation of Food Services and Uniform School Supply Sales. The key financial information for the fiscal year ended June 30, 2001 for these enterprise activities is as follows:

	<u>Food Services</u>	<u>Uniform School Supply</u>	<u>Total</u>
Operating Revenues	\$482,422	\$77,608	\$560,030
Depreciation Expense	9,620	0	9,620
Operating Income (Loss)	(136,307)	1,657	(134,650)
Net Income (Loss)	(5,716)	1,657	(4,059)
Property, Plant and Equipment:			
Additions	6,808	0	6,808
Deletions	(15,973)	0	(15,973)
Operating Grants	123,130	0	123,130
Total Assets	293,728	41,928	335,656
Net Working Capital	151,347	40,390	191,737
Total Equity	172,961	40,390	213,351

NOTE 15 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2001 the District contracted with several different insurance providers for various insurance coverages, as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>
Indiana Insurance Company	Fleet Insurance	\$500
Indiana Insurance Company	Buildings & Contents	\$500
Cincinnati Insurance Company	Boiler Insurance	\$1,000
Nationwide Insurance Company	School District Liability	\$0
Cincinnati Insurance Company	Employee Bond	\$0

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

The District participates in the Southwestern Ohio Educational Purchasing Cooperative Group Rating Program (the GRP), an insurance purchasing pool. The group rating plan for workers' compensation was established under Section 4123.29 of the Ohio Revised Code. 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 school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 16 - GRANTS

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

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Southwestern Ohio Instructional Technology Association (SOITA) - SOITA is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of SOITA 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 of those counties i.e. Auglaize, Butler, Champaign, Clark, Clifton, Darke, Fayette, Green, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Green, and Butler counties shall elect two representatives per area. All others shall elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after a nomination committee nominates individuals to run. One at-large non-public representative shall be elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative shall be 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. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association at 150 East Sixth Street, Franklin, Ohio 45005.

Southwestern Ohio Educational Purchasing Cooperative (SOEPC) - SOEPC is a purchasing cooperative made up of nearly one hundred school districts in twelve counties. The Montgomery County Board of Education acts as fiscal agent for the group. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment and supplies purchased by the SOEPC is held in trust for the member district by the fiscal agent. 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. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Cooperative, 1831 Harshman Road, Dayton, Ohio 45424.

NOTE 18 - RELATED ORGANIZATION

Tipp City Public Library (Library) - The Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Tipp City Exempted Village School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Tipp City Public Library, Clerk/Treasurer, 11 East Main Street, Tipp City, Ohio 45371.

NOTE 19 – SCHOOL FUNDING

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

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

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of June 30, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

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

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**TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$49,645		\$47,390
National School Lunch Program	LL-P1-00	10.555	8,580		8,580	
	LL-P4-00		11,949		11,949	
	LL-P1-01		27,068		27,068	
	LL-P4-01		35,476		35,476	
Total National School Lunch Program			<u>83,073</u>		<u>83,073</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			83,073	49,645	83,073	47,390
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title I - Education Consolidation Improvement Act	C1-S1-99	84.010			745	
	C1-S1-00				19,214	
	C1-S1-01		47,133		47,460	
Total Title I			<u>47,133</u>		<u>67,419</u>	
Special Education Cluster:						
Title VI-B - Education of Handicapped Act	6B-SF-99	84.027			32,502	
	6B-SF-00		68,913		71,772	
Total Title VI-B			<u>68,913</u>		<u>104,274</u>	
<i>Passed through Miami County Education Service Center</i>						
Special Education - Preschool Grant	6B-EH-01	84.173	4,157		3,909	
Total Special Education Cluster			<u>73,070</u>		<u>108,183</u>	
Drug Free Schools	DR-S1-00	84.186	5,202		1,718	
	DR-S1-01		6,813		2,375	
Total Drug Free Schools			<u>12,015</u>		<u>4,093</u>	
Eisenhower Professional Development Grant	MS-S1-00	84.281			6,012	
	MS-S1-01		6,957		832	
Total Eisenhower Professional Development Grant			<u>6,957</u>		<u>6,844</u>	
Innovative Education Program	C2-S1-00	84.298			6,829	
	C2-S1-01		2,516			
Total Innovative Education Program			<u>2,516</u>		<u>6,829</u>	
Class Size Reduction Subsidy	CR-S1-00	84.340	15,611			
	CR-S1-01		24,305			
Total Class Size Reduction Subsidy			<u>39,916</u>			
Total Department of Education			181,607		193,368	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed through Montgomery County Educational Service Center</i>						
Medical Assistance Program	N/A	93.778	2,877		2,877	
Totals			<u>\$267,557</u>	<u>\$49,645</u>	<u>\$279,318</u>	<u>\$47,390</u>

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

**TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY
FISCAL YEAR ENDED JUNE 30, 2001**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B--NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
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Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688

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

Tipp City Exempted Village School District
Miami County
90 South Tippecanoe Drive
Tipp City, Ohio 45371

To the Board of Education:

We have audited the financial statements of Tipp City Exempted Village School District (the District), Miami County, as of and for the year ended June 30, 2001, and have issued our report thereon dated December 13, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-10355-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 13, 2001.

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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2001-10355-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 13, 2001.

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

Jim Petro
Auditor of State

December 13, 2001



STATE OF OHIO
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JIM PETRO, AUDITOR OF STATE

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

Tipp City Exempted Village School District
Miami County
90 South Tippecanoe Drive
Tipp City, Ohio 45371

To the Board of Education:

Compliance

We have audited the compliance of Tipp City Exempted Village School District (the District), Miami County, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

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

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

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

Jim Petro
Auditor of State

December 13, 2001

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505¹

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

FISCAL YEAR ENDED JUNE 30, 2001

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #'s 10.050 & 10.055: Nutrition Cluster; CFDA #'s 84.027 & 84.173: Special Education Cluster
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505²

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

FISCAL YEAR ENDED JUNE 30, 2001

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

Finding Number	2001-10355-001
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Ohio Rev. Code Section 9.38 states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt.

If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than three business days after receiving it. If the public office is governed by a legislative authority only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

Broadway and Nevin Coppock Elementary Schools received revenue from the collection of class fees, however the building secretaries had not deposited the revenue timely for 10 days of 31 days tested. The delay ranged from four or five days up to three months after collecting the fees. The District has not adopted a policy permitting cash to be held up to three days.

If it is the intent of the Board of Education to allow the building secretaries to hold monies collected longer than twenty-four hours, should adopt a policy stating that the building secretaries can deposit the revenue within three business days upon establishing procedures to safeguard the money.

Finding Number	2001-10355-002
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Classroom Materials and Fees

Each school building within the District has different procedures for the collection of class fees, and outstanding fee lists were not being consistently maintained by the individual schools, which resulted in inconsistent treatment of uncollected fees. Other inconsistencies included: 1) In some buildings fees were forgiven by building personnel; 2) Donations from a local foundation were received and earmarked for needy students, however no record was maintained of the allocation of the donation by student account, which could result in the violation of donor wishes; and 3) Receipts are not being written for all collections, resulting in deposits not agreeing with total recorded receipts.

The Board of Education should establish district wide guidelines and procedures for the collection of class fees at all schools within the District. It was noted that the District has purchased an accounts receivable system for the collection of class fees and is currently utilizing the system at the high school. This system is scheduled to be phased in at other schools over the next few years. The Board of Education should consider early implementation of this system for the other buildings and/or adopt a policy safeguarding the collection and accounting for these revenues.



STATE OF OHIO
OFFICE OF THE AUDITOR

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TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

MIAMI 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
DECEMBER 27, 2001**