



**ATHENS CITY SCHOOL DISTRICT  
ATHENS COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

Athens City School District  
Athens County  
25 South Plains Road  
P.O. Box 68  
The Plains, Ohio 45780

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Athens City School District, Athens County, Ohio, (the School 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 School 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 Athens City School District, Athens County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

As described in Note 3 to the general purpose financial statements, during 1999 the School District implemented Governmental Accounting Standards Board Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2000, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

**Jim Petro**  
Auditor of State

January 4, 2000

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

|  | <u>Governmental Fund Types</u> |                            |                           |                             |
|--|--------------------------------|----------------------------|---------------------------|-----------------------------|
|  | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Debt<br/>Service</u>   | <u>Capital<br/>Projects</u> |
| <b>Assets and Other Debits:</b>                            |                                |                            |                           |                             |
| <b>Assets:</b>   |                                |                            |                           |                             |
| Cash and Cash Equivalents                                  | \$1,199,775                    | \$548,306                  | \$681,493                 | \$555,438                   |
| Cash and Cash Equivalents<br>With Fiscal Agents            |                                |                            | 1,310                     |                             |
| Receivables:   |                                |                            |                           |                             |
| Taxes  | 10,143,199                     |                            | 1,003,703                 | 791,343                     |
| Accounts   | 64                             |                            |                           |                             |
| Intergovernmental  | 1,470,751                      | 83,261                     |                           |                             |
| Accrued Interest   | 21,921                         |                            |                           |                             |
| Interfund  | 35,000                         |                            |                           |                             |
| Materials and Supplies Inventory                           |                                |                            |                           |                             |
| Inventory Held for Resale                                  |                                |                            |                           |                             |
| Prepaid Items  | 34,689                         |                            |                           |                             |
| Restricted Cash and Cash Equivalents                       | 108,403                        |                            |                           |                             |
| Fixed Assets (Net of<br>Accumulated Depreciation)          |                                |                            |                           |                             |
| <b>Other Debits:</b>                                       |                                |                            |                           |                             |
| Amount Available in Debt Service Fund                      |                                |                            |                           |                             |
| Amount to be Provided from<br>General Government Resources |                                |                            |                           |                             |
| <b>Total Assets and Other Debits</b>                       | <u><u>\$13,013,802</u></u>     | <u><u>\$631,567</u></u>    | <u><u>\$1,686,506</u></u> | <u><u>\$1,346,781</u></u>   |

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



| <u>Proprietary Fund Types</u> |                           | <u>Fiduciary Fund Types</u> | <u>Account Groups</u>       |                                      | <u>Totals (Memorandum Only)</u> |
|-------------------------------|---------------------------|-----------------------------|-----------------------------|--------------------------------------|---------------------------------|
| <u>Enterprise</u>             | <u>Internal Service</u>   | <u>Trust and Agency</u>     | <u>General Fixed Assets</u> | <u>General Long-Term Obligations</u> |                                 |
| \$88,349                      | \$1,453,207               | \$92,622                    |                             |                                      | \$4,619,190                     |
|                               |                           |                             |                             |                                      | 1,310                           |
|                               |                           |                             |                             |                                      | 11,938,245                      |
|                               |                           |                             |                             |                                      | 64                              |
| 3,508                         |                           |                             |                             |                                      | 1,557,520                       |
|                               |                           |                             |                             |                                      | 21,921                          |
|                               |                           |                             |                             |                                      | 35,000                          |
| 2,209                         |                           |                             |                             |                                      | 2,209                           |
| 14,880                        |                           |                             |                             |                                      | 14,880                          |
|                               |                           |                             |                             |                                      | 34,689                          |
|                               |                           |                             |                             |                                      | 108,403                         |
| 183,034                       |                           |                             | \$28,715,088                |                                      | 28,898,122                      |
|                               |                           |                             |                             | \$721,757                            | 721,757                         |
|                               |                           |                             |                             | 5,083,282                            | 5,083,282                       |
| <b><u>\$291,980</u></b>       | <b><u>\$1,453,207</u></b> | <b><u>\$92,622</u></b>      | <b><u>\$28,715,088</u></b>  | <b><u>\$5,805,039</u></b>            | <b><u>\$53,036,592</u></b>      |

(Continued)

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

|   | <u>Governmental Fund Types</u> |                            |                           |                             |
|---|--------------------------------|----------------------------|---------------------------|-----------------------------|
|   | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Debt<br/>Service</u>   | <u>Capital<br/>Projects</u> |
| <b>Liabilities, Fund Equity<br/>and Other Credits:</b>      |                                |                            |                           |                             |
| <b>Liabilities:</b>   |                                |                            |                           |                             |
| Accounts Payable  | \$62,111                       | \$19,320                   |                           | \$16,350                    |
| Contracts Payable   | 20,939                         |                            |                           |                             |
| Accrued Salaries and Benefits Payable                       | 1,613,758                      | 129,134                    |                           |                             |
| Intergovernmental Payable                                   | 372,160                        | 29,832                     |                           |                             |
| Interfund Payable   |                                | 35,000                     |                           |                             |
| Due to Students   |                                |                            |                           |                             |
| Deferred Revenue  | 9,741,771                      |                            | \$963,439                 | 759,549                     |
| Undistributed Monies  |                                |                            |                           |                             |
| Matured Interest Payable                                    |                                |                            | 1,310                     |                             |
| Compensated Absences Payable                                | 155,986                        | 7,599                      |                           |                             |
| Insurance Claims Payable                                    |                                |                            |                           |                             |
| Property Tax Refund Payable                                 |                                |                            |                           |                             |
| Energy Conservation Note Payable                            |                                |                            |                           |                             |
| General Obligation Bonds Payable                            |                                |                            |                           |                             |
| <b>Total Liabilities</b>                                    | <u>11,966,725</u>              | <u>220,885</u>             | <u>964,749</u>            | <u>775,899</u>              |
| <b>Fund Equity and Other Credits:</b>                       |                                |                            |                           |                             |
| Investment in General Fixed Assets                          |                                |                            |                           |                             |
| Contributed Capital   |                                |                            |                           |                             |
| Retained Earnings:  |                                |                            |                           |                             |
| Unreserved (Deficit)  |                                |                            |                           |                             |
| Fund Balances:  |                                |                            |                           |                             |
| Reserved for Encumbrances                                   | 560,507                        | 61,578                     |                           | 138,866                     |
| Reserved for Property Taxes                                 | 401,428                        |                            | 40,264                    | 31,794                      |
| Reserved for Budget Stabilization                           | 108,403                        |                            |                           |                             |
| Unreserved:   |                                |                            |                           |                             |
| Undesignated (Deficit)                                      | (23,261)                       | 349,104                    | 681,493                   | 400,222                     |
| <b>Total Fund Equity and Other Credits</b>                  | <u>1,047,077</u>               | <u>410,682</u>             | <u>721,757</u>            | <u>570,882</u>              |
| <b>Total Liabilities, Fund Equity<br/>and Other Credits</b> | <u><b>\$13,013,802</b></u>     | <u><b>\$631,567</b></u>    | <u><b>\$1,686,506</b></u> | <u><b>\$1,346,781</b></u>   |

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

| <u>Proprietary Fund Types</u> |                           | <u>Fiduciary Fund Types</u> | <u>Account Groups</u>       |                                      | <u>Totals (Memorandum Only)</u> |
|-------------------------------|---------------------------|-----------------------------|-----------------------------|--------------------------------------|---------------------------------|
| <u>Enterprise</u>             | <u>Internal Service</u>   | <u>Trust and Agency</u>     | <u>General Fixed Assets</u> | <u>General Long-Term Obligations</u> |                                 |
| \$2,271                       |                           |                             |                             |                                      | \$100,052                       |
| 33,557                        |                           |                             |                             |                                      | 20,939                          |
| 40,383                        |                           |                             |                             | \$162,002                            | 1,776,449                       |
|                               |                           |                             |                             |                                      | 604,377                         |
|                               |                           |                             |                             |                                      | 35,000                          |
|                               |                           | \$80,486                    |                             |                                      | 80,486                          |
| 4,138                         |                           |                             |                             |                                      | 11,468,897                      |
|                               |                           | 12,036                      |                             |                                      | 12,036                          |
|                               |                           |                             |                             |                                      | 1,310                           |
| 14,302                        |                           |                             |                             | 1,297,243                            | 1,475,130                       |
|                               | \$211,902                 |                             |                             |                                      | 211,902                         |
|                               |                           |                             |                             | 85,821                               | 85,821                          |
|                               |                           |                             |                             | 970,000                              | 970,000                         |
|                               |                           |                             |                             | 3,289,973                            | 3,289,973                       |
| 94,651                        | 211,902                   | 92,522                      | 0                           | 5,805,039                            | 20,132,372                      |
|                               |                           |                             | \$28,715,088                |                                      | 28,715,088                      |
| 343,044                       |                           |                             |                             |                                      | 343,044                         |
| (145,715)                     | 1,241,305                 |                             |                             |                                      | 1,095,590                       |
|                               |                           |                             |                             |                                      | 760,951                         |
|                               |                           |                             |                             |                                      | 473,486                         |
|                               |                           |                             |                             |                                      | 108,403                         |
|                               |                           | 100                         |                             |                                      | 1,407,658                       |
| 197,329                       | 1,241,305                 | 100                         | 28,715,088                  | 0                                    | 32,904,220                      |
| <b><u>\$291,980</u></b>       | <b><u>\$1,453,207</u></b> | <b><u>\$92,622</u></b>      | <b><u>\$28,715,088</u></b>  | <b><u>\$5,805,039</u></b>            | <b><u>\$53,036,592</u></b>      |

**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, 1999**

|   | Governmental Fund Types |                    |                  |                     | Fiduciary<br>Fund Type | Totals<br>(Memorandum<br>Only) |
|---|-------------------------|--------------------|------------------|---------------------|------------------------|--------------------------------|
|   | General                 | Special<br>Revenue | Debt<br>Service  | Capital<br>Projects | Expendable<br>Trust    |                                |
| <b>Revenues:</b>  |                         |                    |                  |                     |                        |                                |
| Taxes   | \$8,776,586             |                    | \$864,955        | \$690,105           |                        | \$10,331,646                   |
| Intergovernmental   | 8,993,459               | \$1,487,442        | 99,176           | \$75,774            |                        | 10,655,851                     |
| Interest  | 185,642                 |                    |                  | 14,426              |                        | 200,068                        |
| Rent  | 268,416                 | 4,666              |                  |                     |                        | 273,082                        |
| Tuition and Fees  | 17,285                  |                    |                  |                     |                        | 17,285                         |
| Extracurricular Activities  |                         | 141,626            |                  |                     |                        | 141,626                        |
| Gifts and Donations   |                         | 13,314             |                  |                     | \$1,000                | 14,314                         |
| Miscellaneous   | 80,934                  | 3,994              |                  |                     |                        | 84,928                         |
| <b>Total Revenues</b>   | <b>18,322,322</b>       | <b>1,651,042</b>   | <b>964,131</b>   | <b>780,305</b>      | <b>1,000</b>           | <b>21,718,800</b>              |
| <b>Expenditures:</b>  |                         |                    |                  |                     |                        |                                |
| Instruction:  |                         |                    |                  |                     |                        |                                |
| Regular   | 8,655,140               | 256,117            |                  |                     | 1,000                  | 8,912,257                      |
| Special   | 1,916,816               | 791,618            |                  |                     |                        | 2,708,434                      |
| Vocational  | 325,737                 |                    |                  |                     |                        | 325,737                        |
| Other   | 20,171                  |                    |                  |                     |                        | 20,171                         |
| Support Services:   |                         |                    |                  |                     |                        |                                |
| Pupils  | 904,312                 | 110,548            |                  |                     |                        | 1,014,860                      |
| Instructional Staff   | 447,097                 | 191,464            |                  |                     |                        | 638,561                        |
| Board of Education  | 67,149                  | 508                |                  |                     |                        | 67,657                         |
| Administration  | 1,402,705               | 152,263            |                  |                     |                        | 1,554,968                      |
| Fiscal  | 535,755                 | 1,007              | 21,109           |                     |                        | 557,871                        |
| Business  | 876                     |                    |                  |                     |                        | 876                            |
| Operation and Maintenance of Plant  | 2,117,342               |                    |                  |                     |                        | 2,117,342                      |
| Pupil Transportation  | 1,292,922               |                    |                  |                     |                        | 1,292,922                      |
| Central   | 6,386                   |                    |                  |                     |                        | 6,386                          |
| Noninstructional Services   |                         | 1,840              |                  |                     |                        | 1,840                          |
| Extracurricular Activities  | 283,279                 | 88,273             |                  |                     | 1,782                  | 373,334                        |
| Capital Outlay  | 5,483                   |                    |                  | 719,482             |                        | 724,965                        |
| Debt Service:   |                         |                    |                  |                     |                        |                                |
| Principal Retirement  | 165,000                 |                    | 535,000          |                     |                        | 700,000                        |
| Interest and Fiscal Charges   | 52,099                  |                    | 173,801          |                     |                        | 225,900                        |
| <b>Total Expenditures</b>   | <b>18,198,269</b>       | <b>1,593,638</b>   | <b>729,910</b>   | <b>719,482</b>      | <b>2,782</b>           | <b>21,244,081</b>              |
| Excess of Revenues Over<br>(Under) Expenditures   | 124,053                 | 57,404             | 234,221          | 60,823              | (1,782)                | 474,719                        |
| <b>Other Financing Sources (Uses):</b>  |                         |                    |                  |                     |                        |                                |
| Operating Transfers In  |                         | 38,032             |                  |                     |                        | 38,032                         |
| Operating Transfers Out   | (258,280)               |                    |                  |                     |                        | (258,280)                      |
| <b>Total Other Financing Sources (Uses)</b>   | <b>(258,280)</b>        | <b>38,032</b>      | <b>0</b>         | <b>0</b>            | <b>0</b>               | <b>(220,248)</b>               |
| Excess of Revenues and Other Financing<br>Financing Sources Over (Under)<br>Expenditures and Other Financing Uses | (134,227)               | 95,436             | 234,221          | 60,823              | (1,782)                | 254,471                        |
| Fund Balances at Beginning of Year  | 1,185,064               | 315,246            | 487,536          | 510,059             | 1,882                  | 2,499,787                      |
| Increase (Decrease) in Reserve for Inventory  | (3,760)                 |                    |                  |                     |                        | (3,760)                        |
| <b>Fund Balances at End of Year</b>   | <b>\$1,047,077</b>      | <b>\$410,682</b>   | <b>\$721,757</b> | <b>\$570,882</b>    | <b>\$100</b>           | <b>\$2,750,498</b>             |

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

**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 FISCAL YEAR ENDED JUNE 30, 1999**

|   | General Fund              |                         |  | Special Revenue Funds     |                         |  |
|---|---------------------------|-------------------------|--|---------------------------|-------------------------|--|
|   | Revised<br>Budget         | Actual                  | Variance<br>Favorable<br>(Unfavorable) | Revised<br>Budget         | Actual                  | Variance<br>Favorable<br>(Unfavorable) |
| <b>Revenues:</b>  |                           |                         |  |                           |                         |  |
| Taxes   | \$9,269,227               | \$8,928,827             | (\$340,400)                            |                           |                         | \$0                                    |
| Intergovernmental   | 7,848,990                 | 7,560,746               | (288,244)                              | \$1,059,220               | \$1,415,956             | 356,736                                |
| Interest  | 179,015                   | 172,441                 | (6,574)                                |                           |                         | 0                                      |
| Tuition and Fees  | 278,649                   | 268,416                 | (10,233)                               | 3,490                     | 4,666                   | 1,176                                  |
| Rent  | 17,944                    | 17,285                  | (659)                                  |                           |                         | 0                                      |
| Extracurricular Activities  |                           |                         | 0                                      | 106,312                   | 141,963                 | 35,651                                 |
| Gifts and Donations   |                           |                         | 0                                      | 9,961                     | 13,314                  | 3,353                                  |
| Miscellaneous   | 61,346                    | 58,296                  | (3,050)                                | 2,988                     | 3,994                   | 1,006                                  |
| <b>Total Revenues</b>   | <b>17,655,171</b>         | <b>17,006,011</b>       | <b>(649,160)</b>                       | <b>1,181,971</b>          | <b>1,579,893</b>        | <b>397,922</b>                         |
| <b>Expenditures:</b>  |                           |                         |  |                           |                         |  |
| Instruction:  |                           |                         |  |                           |                         |  |
| Regular   | 8,696,713                 | 8,696,713               | 0                                      | 271,939                   | 271,778                 | 161                                    |
| Special   | 1,890,262                 | 1,890,262               | 0                                      | 922,308                   | 778,071                 | 144,237                                |
| Vocational  | 321,763                   | 321,763                 | 0                                      |                           |                         | 0                                      |
| Other   | 20,951                    | 20,951                  | 0                                      |                           |                         | 0                                      |
| Support Services  |                           |                         |  |                           |                         |  |
| Pupils  | 891,882                   | 891,882                 | 0                                      | 105,994                   | 107,055                 | (1,061)                                |
| Instructional Staff   | 436,573                   | 436,573                 | 0                                      | 242,323                   | 215,302                 | 27,021                                 |
| Board of Education  | 71,996                    | 71,996                  | 0                                      | 508                       | 508                     | 0                                      |
| Administration  | 1,362,354                 | 1,362,354               | 0                                      | 201,519                   | 143,389                 | 58,130                                 |
| Fiscal  | 539,965                   | 539,965                 | 0                                      | 1,007                     | 1,007                   | 0                                      |
| Business  | 470                       | 470                     | 0                                      |                           |                         | 0                                      |
| Operation and Maintenance of Plant  | 2,411,479                 | 2,411,479               | 0                                      | 6,034                     | 6,034                   | 0                                      |
| Pupil Transportation  | 1,471,199                 | 1,471,199               | 0                                      |                           |                         | 0                                      |
| Central   | 6,058                     | 6,058                   | 0                                      |                           |                         | 0                                      |
| Noninstructional Services   |                           |                         | 0                                      | 1,840                     | 1,840                   | 0                                      |
| Extracurricular Activities  | 291,249                   | 291,249                 | 0                                      | 103,400                   | 103,400                 | 0                                      |
| Capital Outlay  | 5,483                     | 5,483                   | 0                                      |                           |                         | 0                                      |
| Debt Service:   |                           |                         |  |                           |                         |  |
| Principal Retirement  | 165,000                   | 165,000                 | 0                                      |                           |                         | 0                                      |
| Interest and Fiscal Charges   | 52,099                    | 52,099                  | 0                                      |                           |                         | 0                                      |
| <b>Total Expenditures</b>   | <b>18,635,496</b>         | <b>18,635,496</b>       | <b>0</b>                               | <b>1,856,872</b>          | <b>1,628,384</b>        | <b>228,488</b>                         |
| Excess of Revenues Over<br>(Under) Expenditures   | <u>(980,325)</u>          | <u>(1,629,485)</u>      | <u>(649,160)</u>                       | <u>(674,901)</u>          | <u>(48,491)</u>         | <u>626,410</u>                         |
| <b>Other Financing Sources (Uses):</b>  |                           |                         |  |                           |                         |  |
| Advances In   | 154,000                   | 154,000                 | 0                                      | 35,000                    | 35,000                  | 0                                      |
| Operating Transfers Out   | (125,000)                 | (125,000)               | 0                                      |                           |                         | 0                                      |
| Advances Out  | (35,000)                  | (35,000)                | 0                                      | (154,000)                 | (154,000)               | 0                                      |
| <b>Total Other Financing Sources (Uses)</b>   | <u>(6,000)</u>            | <u>(6,000)</u>          | <u>0</u>                               | <u>(119,000)</u>          | <u>(119,000)</u>        | <u>0</u>                               |
| Excess of Revenues and Other<br>Financing Sources Over (Under)<br>Expenditures and Other Financing Uses | <u>(986,325)</u>          | <u>(1,635,485)</u>      | <u>(649,160)</u>                       | <u>(793,901)</u>          | <u>(167,491)</u>        | <u>626,410</u>                         |
| Fund Balances at Beginning of Year  | 2,143,234                 | 2,143,234               | 0                                      | 534,448                   | 534,448                 | 0                                      |
| Prior Year Encumbrances Appropriated  | 214,042                   | 214,042                 | 0                                      | 100,372                   | 100,372                 | 0                                      |
| <b>Fund Balances at End of Year</b>   | <b><u>\$1,370,951</u></b> | <b><u>\$721,791</u></b> | <b><u>(\$649,160)</u></b>              | <b><u>(\$159,081)</u></b> | <b><u>\$467,329</u></b> | <b><u>\$626,410</u></b>                |

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

**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 FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

|   | Debt Service Fund |                  |  | Capital Projects Funds |                  |  |
|---|-------------------|------------------|--|------------------------|------------------|--|
|   | Revised<br>Budget | Actual           | Variance<br>Favorable<br>(Unfavorable) | Revised<br>Budget      | Actual           | Variance<br>Favorable<br>(Unfavorable) |
| <b>Revenues:</b>  |                   |                  |  |                        |                  |  |
| Taxes   | \$847,571         | \$887,731        | \$40,160                               | \$668,650              | \$703,094        | \$34,444                               |
| Intergovernmental   | 94,689            | 99,176           | 4,487                                  | \$72,062               | \$75,774         | 3,712                                  |
| Interest  |                   |                  | 0                                      | 13,719                 | 14,426           | 707                                    |
| Tuition and Fees  |                   |                  | 0                                      |                        |                  | 0                                      |
| Rent  |                   |                  | 0                                      |                        |                  | 0                                      |
| Extracurricular Activities  |                   |                  | 0                                      |                        |                  | 0                                      |
| Gifts and Donations   |                   |                  | 0                                      |                        |                  | 0                                      |
| Miscellaneous   |                   |                  | 0                                      |                        |                  | 0                                      |
| <b>Total Revenues</b>   | <b>942,260</b>    | <b>986,907</b>   | <b>44,647</b>                          | <b>754,431</b>         | <b>793,294</b>   | <b>38,863</b>                          |
| <b>Expenditures:</b>  |                   |                  |  |                        |                  |  |
| Instruction:  |                   |                  |  |                        |                  |  |
| Regular   |                   |                  | 0                                      |                        |                  | 0                                      |
| Special   |                   |                  | 0                                      |                        |                  | 0                                      |
| Vocational  |                   |                  | 0                                      |                        |                  | 0                                      |
| Other   |                   |                  | 0                                      |                        |                  | 0                                      |
| Support Services  |                   |                  |  |                        |                  |  |
| Pupils  |                   |                  | 0                                      |                        |                  | 0                                      |
| Instructional Staff   |                   |                  | 0                                      |                        |                  | 0                                      |
| Board of Education  |                   |                  | 0                                      |                        |                  | 0                                      |
| Administration  |                   |                  | 0                                      |                        |                  | 0                                      |
| Fiscal  | 21,109            | 21,109           | 0                                      |                        |                  | 0                                      |
| Business  |                   |                  | 0                                      |                        |                  | 0                                      |
| Operation and Maintenance of Plant  |                   |                  | 0                                      |                        |                  | 0                                      |
| Pupil Transportation  |                   |                  | 0                                      |                        |                  | 0                                      |
| Central   |                   |                  | 0                                      |                        |                  | 0                                      |
| Noninstructional Services   |                   |                  | 0                                      |                        |                  | 0                                      |
| Extracurricular Activities  |                   |                  | 0                                      |                        |                  | 0                                      |
| Capital Outlay  |                   |                  | 0                                      | 877,714                | 877,714          | 0                                      |
| Debt Service:   |                   |                  |  |                        |                  |  |
| Principal Retirement  | 535,000           | 535,000          | 0                                      |                        |                  | 0                                      |
| Interest and Fiscal Charges   | 181,020           | 181,020          | 0                                      | 0                      | 0                | 0                                      |
| <b>Total Expenditures</b>   | <b>737,129</b>    | <b>737,129</b>   | <b>0</b>                               | <b>877,714</b>         | <b>877,714</b>   | <b>0</b>                               |
| Excess of Revenues Over<br>(Under) Expenditures   | <b>205,131</b>    | <b>249,778</b>   | <b>44,647</b>                          | <b>(123,283)</b>       | <b>(84,420)</b>  | <b>38,863</b>                          |
| <b>Other Financing Sources (Uses):</b>  |                   |                  |  |                        |                  |  |
| Advances In   |                   |                  | 0                                      |                        |                  | 0                                      |
| Operating Transfers Out   |                   |                  | 0                                      |                        |                  | 0                                      |
| Advances Out  |                   |                  | 0                                      |                        |                  | 0                                      |
| <b>Total Other Financing Sources (Uses)</b>   | <b>0</b>          | <b>0</b>         | <b>0</b>                               | <b>0</b>               | <b>0</b>         | <b>0</b>                               |
| Excess of Revenues and Other<br>Financing Sources Over (Under)<br>Expenditures and Other Financing Uses | <b>205,131</b>    | <b>249,778</b>   | <b>44,647</b>                          | <b>(123,283)</b>       | <b>(84,420)</b>  | <b>38,863</b>                          |
| Fund Balances at Beginning of Year  | 431,715           | 431,715          | 0                                      | 367,740                | 367,740          | 0                                      |
| Prior Year Encumbrances Appropriated  |                   |                  | 0                                      | 116,901                | 116,901          | 0                                      |
| <b>Fund Balances at End of Year</b>   | <b>\$636,846</b>  | <b>\$681,493</b> | <b>\$44,647</b>                        | <b>\$361,358</b>       | <b>\$400,221</b> | <b>\$38,863</b>                        |

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

**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 FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

|   | Expendable Trust Fund  |                        |  | Totals (Memorandum Only)  |                           |  |
|---|------------------------|------------------------|--|---------------------------|---------------------------|--|
|   | Revised<br>Budget      | Actual                 | Variance<br>Favorable<br>(Unfavorable) | Revised<br>Budget         | Actual                    | Variance<br>Favorable<br>(Unfavorable) |
| <b>Revenues:</b>  |                        |                        |  |                           |                           |  |
| Taxes   |                        |                        | \$0                                    | \$10,785,448              | \$10,519,652              | (\$265,796)                            |
| Intergovernmental   |                        |                        | 0                                      | 9,074,961                 | 9,151,652                 | 76,691                                 |
| Interest  |                        |                        | 0                                      | 192,734                   | 186,867                   | (5,867)                                |
| Tuition and Fees  |                        |                        | 0                                      | 282,139                   | 273,082                   | (9,057)                                |
| Rent  |                        |                        | 0                                      | 17,944                    | 17,285                    | (659)                                  |
| Extracurricular Activities  |                        |                        | 0                                      | 106,312                   | 141,963                   | 35,651                                 |
| Gifts and Donations   | \$1,000                | \$1,000                | 0                                      | 10,961                    | 14,314                    | 3,353                                  |
| Miscellaneous   | 12,037                 | 12,037                 | 0                                      | 76,371                    | 74,327                    | (2,044)                                |
| <b>Total Revenues</b>   | <u>13,037</u>          | <u>13,037</u>          | <u>0</u>                               | <u>20,546,870</u>         | <u>20,379,142</u>         | <u>(167,728)</u>                       |
| <b>Expenditures:</b>  |                        |                        |  |                           |                           |  |
| Instruction:  |                        |                        |  |                           |                           |  |
| Regular   | 1,000                  | 1,000                  | 0                                      | 8,969,652                 | 8,969,491                 | 161                                    |
| Special   |                        |                        | 0                                      | 2,812,570                 | 2,668,333                 | 144,237                                |
| Vocational  |                        |                        | 0                                      | 321,763                   | 321,763                   | 0                                      |
| Other   |                        |                        | 0                                      | 20,951                    | 20,951                    | 0                                      |
| Support Services  |                        |                        |  |                           |                           |  |
| Pupils  |                        |                        | 0                                      | 997,876                   | 998,937                   | (1,061)                                |
| Instructional Staff   |                        |                        | 0                                      | 678,896                   | 651,875                   | 27,021                                 |
| Board of Education  |                        |                        | 0                                      | 72,504                    | 72,504                    | 0                                      |
| Administration  |                        |                        | 0                                      | 1,563,873                 | 1,505,743                 | 58,130                                 |
| Fiscal  |                        |                        | 0                                      | 562,081                   | 562,081                   | 0                                      |
| Business  |                        |                        | 0                                      | 470                       | 470                       | 0                                      |
| Operation and Maintenance of Plant  |                        |                        | 0                                      | 2,417,513                 | 2,417,513                 | 0                                      |
| Pupil Transportation  |                        |                        | 0                                      | 1,471,199                 | 1,471,199                 | 0                                      |
| Central   |                        |                        | 0                                      | 6,058                     | 6,058                     | 0                                      |
| Noninstructional Services   |                        |                        | 0                                      | 1,840                     | 1,840                     | 0                                      |
| Extracurricular Activities  | 1,782                  | 1,782                  | 0                                      | 396,431                   | 396,431                   | 0                                      |
| Capital Outlay  |                        |                        | 0                                      | 883,197                   | 883,197                   | 0                                      |
| Debt Service:   |                        |                        |  |                           |                           |  |
| Principal Retirement  |                        |                        | 0                                      | 700,000                   | 700,000                   | 0                                      |
| Interest and Fiscal Charges   |                        |                        | 0                                      | 233,119                   | 233,119                   | 0                                      |
| <b>Total Expenditures</b>   | <u>2,782</u>           | <u>2,782</u>           | <u>0</u>                               | <u>22,109,993</u>         | <u>21,881,505</u>         | <u>228,488</u>                         |
| Excess of Revenues Over<br>(Under) Expenditures   | <u>10,255</u>          | <u>10,255</u>          | <u>0</u>                               | <u>(1,563,123)</u>        | <u>(1,502,363)</u>        | <u>60,760</u>                          |
| <b>Other Financing Sources (Uses):</b>  |                        |                        |  |                           |                           |  |
| Advances In   |                        |                        | 0                                      | 189,000                   | 189,000                   | 0                                      |
| Operating Transfers Out   |                        |                        | 0                                      | (125,000)                 | (125,000)                 | 0                                      |
| Advances Out  |                        |                        | 0                                      | (189,000)                 | (189,000)                 | 0                                      |
| <b>Total Other Financing Sources (Uses)</b>   | <u>0</u>               | <u>0</u>               | <u>0</u>                               | <u>(125,000)</u>          | <u>(125,000)</u>          | <u>0</u>                               |
| Excess of Revenues and Other<br>Financing Sources Over (Under)<br>Expenditures and Other Financing Uses | <u>10,255</u>          | <u>10,255</u>          | <u>0</u>                               | <u>(1,688,123)</u>        | <u>(1,627,363)</u>        | <u>60,760</u>                          |
| Fund Balances at Beginning of Year  | 2,166                  | 2,166                  | 0                                      | 3,479,303                 | 3,479,303                 | 0                                      |
| Prior Year Encumbrances Appropriated  |                        |                        | 0                                      | 431,315                   | 431,315                   | 0                                      |
| <b>Fund Balances at End of Year</b>   | <u><u>\$12,421</u></u> | <u><u>\$12,421</u></u> | <u><u>\$0</u></u>                      | <u><u>\$2,222,495</u></u> | <u><u>\$2,283,255</u></u> | <u><u>\$60,760</u></u>                 |

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

**COMBINED STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND EQUITY  
PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

|  | <u>Proprietary Fund Type</u> |                             | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|--|------------------------------|-----------------------------|---|
|  | <u>Enterprise</u>            | <u>Internal<br/>Service</u> |   |
| <b>Revenues:</b>   |                              |                             |   |
| Sales  | \$368,491                    |                             | \$368,491                               |
| Charges for Services   |                              | \$1,577,733                 | 1,577,733                               |
| Other Revenues   | 30,815                       |                             | 30,815                                  |
| Total Revenues   | <u>399,306</u>               | <u>1,577,733</u>            | <u>\$1,977,039</u>                      |
| <b>Expenses:</b>   |                              |                             |   |
| Salaries   | 252,528                      |                             | 252,528                                 |
| Fringe Benefits  | 126,471                      |                             | 126,471                                 |
| Purchased Services   | 55,880                       | 489,899                     | 545,779                                 |
| Materials and Supplies   | 54,849                       |                             | 54,849                                  |
| Cost of Sales  | 308,993                      |                             | 308,993                                 |
| Claims   |                              | 933,990                     | 933,990                                 |
| Depreciation   | 11,559                       |                             | 11,559                                  |
| Other Expenses   | 1,540                        |                             | 1,540                                   |
| Total Expenses   | <u>811,820</u>               | <u>1,423,889</u>            | <u>2,235,709</u>                        |
| Operating Income (Loss)  | <u>(412,514)</u>             | <u>153,844</u>              | <u>(258,670)</u>                        |
| <b>Nonoperating Revenues:</b>                                    |                              |                             |   |
| Federal Donated Commodities                                      | 30,111                       |                             | 30,111                                  |
| Interest Income  |                              | 34,631                      | 34,631                                  |
| Federal and State Subsidies                                      | 268,151                      |                             | 268,151                                 |
| Total Nonoperating Revenues                                      | <u>298,262</u>               | <u>34,631</u>               | <u>332,893</u>                          |
| Income (Loss) Before Operating Transfers                         | (114,252)                    | 188,475                     | 74,223                                  |
| Operating Transfers In   | <u>220,248</u>               |                             | <u>220,248</u>                          |
| Net Income (Loss)  | 105,996                      | 188,475                     | 294,471                                 |
| Retained Earnings (Deficit) at Beginning<br>of Year, As Restated | <u>(251,711)</u>             | <u>1,052,830</u>            | <u>801,119</u>                          |
| Retained Earnings (Deficit) at End of Year                       | <u>(145,715)</u>             | <u>1,241,305</u>            | <u>1,095,590</u>                        |
| Contributed Capital at Beginning and End of Year                 | <u>343,044</u>               |                             | <u>343,044</u>                          |
| <b>Total Fund Equity at End of Year</b>                          | <b><u>\$197,329</u></b>      | <b><u>\$1,241,305</u></b>   | <b><u>\$1,438,634</u></b>               |

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



**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
FUND EQUITY - BUDGET AND ACTUAL BASIS (BUDGET BASIS)  
PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

|   | <u>Enterprise Funds</u>   |                        |   | <u>Internal Service Funds</u> |                           |   |
|---|---------------------------|------------------------|---|-------------------------------|---------------------------|---|
|   | <u>Revised<br/>Budget</u> | <u>Actual</u>          | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> | <u>Revised<br/>Budget</u>     | <u>Actual</u>             | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
| <b>Revenues:</b>  |                           |                        |   |                               |                           |   |
| Sales   | \$349,196                 | \$368,586              | \$19,390  |                               |                           | \$0   |
| Charges for Services  |                           |                        | 0   | \$1,454,064                   | \$1,577,733               | 123,669   |
| Other Revenues  | 29,162                    | 30,815                 | 1,653   |                               |                           | 0   |
| Interest Income   |                           |                        | 0   | 34,631                        | 34,631                    | 0   |
| Federal and State Subsidies   | 250,450                   | 264,643                | 14,193  |                               |                           | 0   |
| <b>Total Revenues</b>   | <u>628,808</u>            | <u>664,044</u>         | <u>35,236</u>                                   | <u>1,488,695</u>              | <u>1,612,364</u>          | <u>123,669</u>                                  |
| <b>Expenses:</b>  |                           |                        |   |                               |                           |   |
| Salaries  | 257,796                   | 257,796                | 0   |                               |                           | 0   |
| Fringe Benefits   | 118,269                   | 118,269                | 0   |                               |                           | 0   |
| Purchased Services  | 334,726                   | 334,726                | 0   | 489,899                       | 489,899                   | 0   |
| Materials and Supplies  | 61,100                    | 61,100                 | 0   |                               |                           | 0   |
| Capital Outlay  | 2,070                     | 2,070                  | 0   |                               |                           | 0   |
| Claims  |                           |                        | 0   | 1,017,130                     | 1,017,130                 | 0   |
| Other Expenses  | 1,540                     | 1,540                  | 0   |                               |                           | 0   |
| <b>Total Expenses</b>   | <u>775,501</u>            | <u>775,501</u>         | <u>0</u>  | <u>1,507,029</u>              | <u>1,507,029</u>          | <u>0</u>  |
| Excess of Revenues Over (Under) Expenses                            | (146,693)                 | (111,457)              | 35,236  | (18,334)                      | 105,335                   | 123,669   |
| <b>Operating Transfers:</b>   |                           |                        |   |                               |                           |   |
| Operating Transfers In  | 125,000                   | 125,000                | 0   |                               |                           | 0   |
| Excess of Revenues Over (Under)<br>Expenses and Operating Transfers | (21,693)                  | 13,543                 | 35,236  | (18,334)                      | 105,335                   | 123,669   |
| Fund Equity at Beginning of Year                                    | 52,676                    | 52,676                 | 0   | 1,346,221                     | 1,346,221                 | 0   |
| Prior Year Encumbrances Appropriated                                | 14,253                    | 14,253                 | 0   |                               |                           | 0   |
| <b>Fund Equity at End of Year</b>                                   | <u><b>\$45,236</b></u>    | <u><b>\$80,472</b></u> | <u><b>\$35,236</b></u>                          | <u><b>\$1,327,887</b></u>     | <u><b>\$1,451,556</b></u> | <u><b>\$123,669</b></u>                         |

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

(Continued)

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
FUND EQUITY - BUDGET AND ACTUAL BASIS (BUDGET BASIS)  
PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

|   | <b>Totals (Memorandum Only)</b> |                    |   |
|---|---------------------------------|--------------------|---|
|   | <b>Revised<br/>Budget</b>       | <b>Actual</b>      | <b>Variance<br/>Favorable<br/>(Unfavorable)</b> |
| <b>Revenues:</b>  |                                 |                    |   |
| Sales   | \$349,196                       | \$368,586          | \$19,390  |
| Charges for Services  | 1,454,064                       | 1,577,733          | 123,669   |
| Other Revenues  | 29,162                          | 30,815             | 1,653   |
| Interest Income   | 34,631                          | 34,631             | 0   |
| Federal and State Subsidies   | 250,450                         | 264,643            | 14,193  |
| Total Revenues  | 2,117,503                       | 2,276,408          | 158,905   |
| <b>Expenses:</b>  |                                 |                    |   |
| Salaries  | 257,796                         | 257,796            | 0   |
| Fringe Benefits   | 118,269                         | 118,269            | 0   |
| Purchased Services  | 824,625                         | 824,625            | 0   |
| Materials and Supplies  | 61,100                          | 61,100             | 0   |
| Capital Outlay  | 2,070                           | 2,070              | 0   |
| Claims  | 1,017,130                       | 1,017,130          | 0   |
| Other Expenses  | 1,540                           | 1,540              | 0   |
| Total Expenses  | 2,282,530                       | 2,282,530          | 0   |
| Excess of Revenues Over (Under) Expenses                            | (165,027)                       | (6,122)            | 158,905   |
| <b>Operating Transfers:</b>   |                                 |                    |   |
| Operating Transfers In  | 125,000                         | 125,000            | 0   |
| Excess of Revenues Over (Under)<br>Expenses and Operating Transfers | (40,027)                        | 118,878            | 158,905   |
| Fund Equity at Beginning of Year                                    | 1,398,897                       | 1,398,897          | 0   |
| Prior Year Encumbrances Appropriated                                | 14,253                          | 14,253             | 0   |
| <b>Fund Equity at End of Year</b>                                   | <b>\$1,373,123</b>              | <b>\$1,532,028</b> | <b>\$158,905</b>                                |

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

**COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

|  | <u>Proprietary Fund Types</u> |                             | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|--|-------------------------------|-----------------------------|---|
|  | <u>Enterprise</u>             | <u>Internal<br/>Service</u> |   |
| <b>Increase (Decrease) in<br/>Cash and Cash Equivalents</b>          |                               |                             |   |
| <b>Cash Flows from Operating Activities:</b>                         |                               |                             |   |
| Cash Received from Sales   | \$368,586                     |                             | \$368,586                               |
| Cash Received from Quasi-External<br>Transactions with Other Funds   |                               | \$1,577,733                 | 1,577,733                               |
| Cash Payments for Employee Services and Benefits                     | (376,066)                     |                             | (376,066)                               |
| Cash Payments to Suppliers for Goods and Services                    | (387,948)                     | (489,899)                   | (877,847)                               |
| Cash Payments for Claims   |                               | (1,015,479)                 | (1,015,479)                             |
| Other Operating Revenues   | 30,815                        |                             | 30,815                                  |
| Other Operating Expenses   | (1,540)                       |                             | (1,540)                                 |
| Net Cash from Operating Activities                                   | <u>(366,153)</u>              | <u>72,355</u>               | <u>(293,798)</u>                        |
| <b>Cash Flows from Noncapital Financing Activities:</b>              |                               |                             |   |
| Operating Transfers In   | 125,000                       |                             | 125,000                                 |
| Operating Grants Received  | 264,643                       |                             | 264,643                                 |
| Net Cash from Noncapital Financing Activities                        | <u>389,643</u>                | <u>0</u>                    | <u>389,643</u>                          |
| <b>Cash Flows from Capital and<br/>Related Financing Activities:</b> |                               |                             |   |
| Cash Payments for Capital Acquisitions                               | (2,070)                       |                             | (2,070)                                 |
| Net Cash from Capital and<br>Related Financing Activities            | <u>(2,070)</u>                | <u>0</u>                    | <u>(2,070)</u>                          |
| <b>Cash Flows from Investing Activities:</b>                         |                               |                             |   |
| Interest on Investments  |                               | 34,631                      | 34,631                                  |
| Net Cash from Investing Activities                                   | <u>0</u>                      | <u>34,631</u>               | <u>34,631</u>                           |
| Net Increase (Decrease) in<br>Cash and Cash Equivalents              | 21,420                        | 106,986                     | 128,406                                 |
| Cash and Cash Equivalents at Beginning of Year                       | 66,929                        | 1,346,221                   | 1,413,150                               |
| <b>Cash and Cash Equivalents at End of Year</b>                      | <b><u>\$88,349</u></b>        | <b><u>\$1,453,207</u></b>   | <b><u>\$1,541,556</u></b>               |

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

(Continued)

**COMBINED STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
 (Continued)**

|  | <u>Proprietary Fund Types</u> |                             | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|--|-------------------------------|-----------------------------|---|
|  | <u>Enterprise</u>             | <u>Internal<br/>Service</u> |   |
| <b>Reconciliation of Operating Loss to<br/>Net Cash Used by Operating Activities:</b>        |                               |                             |   |
| Operating Income (Loss)  | (\$412,514)                   | \$153,844                   | (\$258,670)                             |
| <b>Adjustments to Reconcile Operating Loss to<br/>Net Cash Used by Operating Activities:</b> |                               |                             |   |
| Depreciation   | 11,559                        |                             | 11,559                                  |
| Donated Commodities Used During Year   | 30,111                        |                             | 30,111                                  |
| Changes in Assets and Liabilities:   |                               |                             |   |
| (Increase) Decrease in Accounts Receivable   | 95                            |                             | 95                                      |
| (Increase) Decrease in Materials and Supplies Inventory                                      | 390                           |                             | 390                                     |
| (Increase) Decrease in Inventory Held for Resale   | 5,782                         |                             | 5,782                                   |
| (Increase) Decrease in Prepaid Items   | 26                            |                             | 26                                      |
| Increase (Decrease) in Accounts Payable  | (29)                          |                             | (29)                                    |
| Increase (Decrease) in Claims Payable  |                               | (81,489)                    | (81,489)                                |
| Increase (Decrease) in Accrued Salaries  | 3,799                         |                             | 3,799                                   |
| Increase (Decrease) in Intergovernmental Payable   | 1,931                         |                             | 1,931                                   |
| Increase (Decrease) in Compensated Absences  | (2,796)                       |                             | (2,796)                                 |
| Increase (Decrease) in Deferred Revenue  | (4,507)                       |                             | (4,507)                                 |
| Total Adjustments  | 46,361                        | (81,489)                    | (35,128)                                |
| <b>Net Cash from Operating Activities</b>  | <b><u>(\$366,153)</u></b>     | <b><u>\$72,355</u></b>      | <b><u>(\$293,798)</u></b>               |

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

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

**1. DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY**

**Description of the School District**

Athens City School District (the School District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by state and/or federal guidelines.

The School District was established in the mid 1800's and in 1960 the School District was consolidated with the portion of the Athens Local School District located in the City of Athens. The School District was consolidated in 1964 with the Plains Local School District and the Chauncey Local School District. The School District serves an area of approximately 85 square miles. It is located in Athens County, and includes the City of Athens, and portions of the Village of Chauncey and the Townships of Athens, Canaan, Dover and Waterloo. The School District is the 129<sup>th</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 161 non-certificated employees, 228 certificated full-time teaching personnel and 15 administrative employees who provide services to 2,967 students and other community members. The School District currently operates 7 instructional buildings, 1 administrative building and 2 garages.

**Reporting Entity**

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

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

The following activity is included in the reporting activity:

*River Valley Community School* - A private school that operates within the School District boundaries. Current State legislation provides funding to this private school. These monies are received and disbursed on behalf of the private school by the Treasurer of the School District, as directed by the private school. The activity of these monies is reflected in a special revenue fund for financial reporting purposes.

The School District is associated with four organizations, three of which are defined as jointly governed organizations and one as an insurance purchasing pool. These organizations are the Southeast Ohio Voluntary Educational Consortium, the Tri-County Joint Vocational School District, the Coalition of Rural and Appalachian Schools, and the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool. These organizations are presented in Notes 19 and 20 to the general purpose financial statements.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the 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 statements and interpretations issued on or before November 30, 1989, to 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.

**A. Basis of Presentation - Fund Accounting**

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

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

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

**1. Governmental Fund Types:**

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds and trust 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 major capital projects) that are legally restricted to expenditure for specified purposes.

**Debt Service Fund**

This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Presentation - Fund Accounting (Continued)**

**1. Governmental Fund Types: (Continued)**

**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 and trust funds).

**2. Proprietary Fund Types:**

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

**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 is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Internal Service Funds**

These funds are used to account for financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursements basis.

**3. Fiduciary Fund Types:**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The only fiduciary funds of the School District are expendable trust and agency funds. Expendable trust funds are used to account for resources, including both principal and earnings which must be expended according to the provisions of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**4. Account Groups:**

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Presentation - Fund Accounting (Continued)**

**4. Account Groups: (Continued)**

**General Long-Term Obligations Account Group**

This account group is used to account for all unmatured long-term indebtedness of the School District that is not a specific liability of proprietary or trust funds.

**B. 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 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 proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type 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.

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

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

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



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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus and Basis of Accounting (Continued)**

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type and nonexpendable trust funds. Revenues are recognized when they are earned and become measurable and expenses are recognized when they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Process**

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

**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 Athens County Budget Commission for rate determination.

**Estimated Resources**

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

**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 must be 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.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Process (Continued)**

**Appropriations (Continued)**

The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, two 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. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, 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 budget basis (non-GAAP) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

**Lapsing of Appropriations**

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

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Cash and Cash Equivalents" on the balance sheet. Investment earnings are allocated as authorized by State statute.

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.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**D. Cash and Cash Equivalents** (Continued)

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

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 an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

**E. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased. Reported materials and supplies inventory is equally offset by a fund balance reserved in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, lunchroom supplies and school supplies held for resale and are expended when used.

**F. Prepaid Items**

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

**G. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents set aside to establish 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. A fund balance reserve has also been established.

**H. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. Fixed assets utilized in the proprietary funds are capitalized in the respective funds. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are valued at their estimated fair market value on the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Fixed Assets and Depreciation (Continued)**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Assets in the General Fixed Assets Account Group are not depreciated. Depreciation of furniture and equipment in the Enterprise Funds is computed using the straight-line method over an estimated useful life of twenty years.

**I. 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. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

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 Reimbursement

*Non-Reimbursable Grants*

*Special Revenue Funds*

- Venture Capital
- Auxiliary Services
- Education Management Information Systems
- Public School Preschool
- Disadvantaged Pupil Impact Aid
- Title I
- Title VI
- Title VI-B
- Drug Free Schools Program
- Phonics Demonstration Project
- Partnership 2000
- School at Work

*Capital Projects Funds*

- School Net Plus
- School Net
- School Net Community Link

*Reimbursable Grants*

*General Fund*

- Driver Education

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Intergovernmental Revenues (Continued)**

*Enterprise Funds*

National School Lunch Program  
National School Breakfast Program  
Government Donated Commodities

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

**J. Interfund Assets and Liabilities**

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

**K. Compensated Absences**

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. 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. The School District records a liability for accumulated unused sick leave for all employees with more than one year of service.

For governmental funds, 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. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**L. 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 and contractually required pension contributions 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 been paid using current available financial resources. General obligation bonds, the energy conservation notes, and property tax refund payable are reported as a liability of the General Long-Term Obligations Account Group until due.

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

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

**13. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and 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.

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

**N. Fund Balance Reserves**

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, property taxes, and statutory set-asides. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for statutory set-asides represents the amounts that have been set aside to meet the requirements of House Bill No. 412.

**O. Contributed Capital**

Contributed capital represents resources from other funds, other governments and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1993, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

**P. 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.

**Q. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, 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.

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

**3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND EQUITY**

For fiscal year 1999, the School District implemented GASB Statement No 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans". This statement establishes accounting and reporting guidelines for eligible deferred compensation plans that are now required to be held in trust for the exclusive benefit of plan participants and their beneficiaries. The implementation of this statement required no change in prior period balances of the School District's financial statements. However, it did require the removal of \$88,578 in plan assets during the current period, from both the funds on deposit with deferred compensation boards and the deferred compensation payable in the Agency Funds.

During fiscal year 1999, the School District contracted with an independent appraisal firm to perform an appraisal of all of the School District's fixed assets. The completed appraisal by the firm revealed a large variance between the School District's reported amounts and the appraisal total. The difference has been attributed both to several years of disposals by the School District that had not been reported and items that were undervalued. The School District has also changed its policy on the capitalization of textbooks, and has decided that they will no longer be capitalized. The effects of these adjustments on fund balances/retained earnings as previously reported for the year ended June 30, 1998, are as follows:

|   |   |
|---|---|
|   | <u>Enterprise</u>                                 |
| Retained Earnings as Previously Reported                        | (\$352,223)                                       |
| Understatement of Fixed Assets                                  | <u>100,512</u>                                    |
| Restated Retained Earnings as of July 1, 1998                   | <u>(\$251,711)</u>                                |
|   |   |
|   | <u>General<br/>Fixed Assets<br/>Account Group</u> |
| Investments in General Fixed Assets as Previously Reported      | \$29,934,438                                      |
| Overstatement of Fixed Assets                                   | <u>(1,839,107)</u>                                |
| Restated Investments in General Fixed Assets as of July 1, 1998 | <u>\$28,095,331</u>                               |

**4. ACCOUNTABILITY AND COMPLIANCE**

**Accountability**

The following fund had a deficit balance as of June 30, 1999:

|                       |                                 |
|-----------------------|---------------------------------|
|                       | <u>Deficit<br/>Fund Balance</u> |
| Special Revenue Fund: |                                 |
| Title I               | \$37,776                        |

This deficit fund balance is the result of the application of generally accepted accounting principles and the requirement to accrue liabilities when incurred. The General Fund is liable for any deficit in this fund and provides operating transfers when cash is required, not when accruals occur. This deficit does not exist on the cash basis.

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

**4. ACCOUNTABILITY AND COMPLIANCE (Continued)**

**Compliance**

The following fund and account had expenditures plus encumbrances in excess of appropriations at year-end, contrary to Section 5705.41, Ohio Revised Code:

|                           |         |
|---------------------------|---------|
| Special Revenue Fund:     |         |
| Title IV-B                |         |
| Support Services - Pupils | \$1,971 |

**5. BUDGETARY BASIS OF ACCOUNTING**

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

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- b. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types or as note disclosure in the proprietary fund type (GAAP basis).
- d. For proprietary funds, the acquisition construction of capital assets are reported on the operating statement (budget basis) rather than the balance sheet transaction (GAAP basis).

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

|                      | Excess of Revenues and Other Financing Sources<br>Over/(Under) Expenditures and Other Financing Uses<br>All Governmental Funds Types |                            |                         |                             |
|----------------------|--|----------------------------|-------------------------|-----------------------------|
|                      | <u>General</u>   | <u>Special<br/>Revenue</u> | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> |
| GAAP Basis           | (\$134,227)  | \$95,436                   | \$234,221               | \$60,823                    |
| Adjustments:         |  |                            |                         |                             |
| Revenue Accruals     | (1,316,311)  | (71,149)                   | 22,776                  | 12,989                      |
| Expenditure Accruals | (437,226)  | (34,746)                   | (7,219)                 | (158,232)                   |
| Other Sources (Uses) | <u>252,279</u>   | <u>(157,032)</u>           | <u>0</u>                | <u>0</u>                    |
| Budget Basis         | <u>(\$1,635,485)</u>   | <u>(\$167,491)</u>         | <u>\$249,778</u>        | <u>(\$84,420)</u>           |

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**



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

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**

| Net Income (Loss)/Excess of Revenues Over/(Under)<br>Expenses and Operating Transfers<br>Proprietary Funds Types | <u>Enterprise</u> | <u>Internal<br/>Service</u> |
|--|-------------------|-----------------------------|
| GAAP Basis   | \$105,996         | \$188,475                   |
| Adjustments:   |                   |                             |
| Operating Revenue Accruals   | 264,738           | 0                           |
| Operating Expense Accruals   | 36,319            | (83,140)                    |
| Nonoperating Revenue   | (298,262)         | 0                           |
| Operating Transfers  | <u>(95,248)</u>   | <u>0</u>                    |
| Budget Basis   | <u>\$13,543</u>   | <u>\$105,335</u>            |

**6. DEPOSITS AND INVESTMENTS**

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

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

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

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

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 moneys deposited with the institution.

Interim monies to be deposited or invested in the following securities:

- a. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United State Treasury or any other obligation guaranteed as to principal and interest by the United States;
- b. 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;

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

**6. DEPOSITS AND INVESTMENTS (Continued)**

- c. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds 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;
- d. Bonds and other obligations of the State of Ohio;
- e. 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; and,
- f. The State Treasurer's investment pool (STAR Ohio).
- g. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
- h. Under limited circumstances, corporate debt interest rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

At fiscal year end, the School District had \$7,983 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Cash and Cash Equivalents."

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

**Deposits:** At fiscal year end, the carrying amount of the School District's deposits was \$1,075,323 and the bank balance was \$1,267,400. Of the bank balance, \$400,000 was covered by federal deposit insurance and \$867,400 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institutions' trust department in the School District's name and all State statutory requirements for the investment of money had been followed, noncompliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**Investments:** The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAROhio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book-entry form.

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

**6. DEPOSITS AND INVESTMENTS (Continued)**

|  | <u>Category 3</u>  | <u>Carrying<br/>Value</u> | <u>Fair<br/>Value</u> |
|--|--------------------|---------------------------|-----------------------|
| Discount Notes                                   | \$1,880,304        | \$1,880,304               | \$1,880,304           |
| Commercial Paper and<br>Bankers Acceptance Notes | 347,001            | 347,001                   | 347,001               |
| STAR Ohio  | <u>0</u>           | <u>1,418,292</u>          | <u>1,418,292</u>      |
| Total  | <u>\$2,227,305</u> | <u>\$3,645,597</u>        | <u>\$3,645,597</u>    |

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications GASB Statement No. 3 is as follows:

|  | <u>Cash and Cash<br/>Equivalents/Deposits</u> | <u>Investments</u> |
|--|---|--------------------|
| GASB Statement 9                                 | \$4,728,903                                   | \$0                |
| Cash on Hand                                     | (7,983)                                       | 0                  |
| Investments:                                     |   |                    |
| Discount Notes                                   | (1,880,304)                                   | 1,880,304          |
| Commercial Paper and<br>Bankers Acceptance Notes | (347,001)                                     | 347,001            |
| STAR Ohio  | <u>(1,418,292)</u>                            | <u>1,418,292</u>   |
| Total  | <u>\$1,075,323</u>                            | <u>\$3,645,597</u> |

**7. 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 (used in business) 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 is required to be revalued 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. Tangible personal property assessments are 25 percent of true value.

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or 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.

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

**7. PROPERTY TAXES (Continued)**

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

Accrued property taxes receivable represents the June 1999 personal property tax settlement, delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The total amount available as an advance at June 30, 1999, was \$473,486. Of this total amount, \$401,128 was available to the General Fund, \$40,264 was available to the Bond Retirement Debt Service Fund, and \$31,794 was available to the Permanent Improvement Capital Projects Fund.

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

|   | 1998 Second-Half<br>Collections |                | 1999 First-Half<br>Collections |                |
|---|---------------------------------|----------------|--------------------------------|----------------|
|   | <u>Amount</u>                   | <u>Percent</u> | <u>Amount</u>                  | <u>Percent</u> |
| Agricultural/Residential<br>and Other Real Estate | \$246,490,080                   | 83.47%         | \$251,296,670                  | 83.16%         |
| Public Utility                                    | 27,953,770                      | 9.47%          | 29,537,640                     | 9.78%          |
| Tangible Personal<br>Property                     | 20,849,558                      | 7.06%          | 21,348,845                     | 7.06%          |
| Total Assessed Value                              | <u>\$295,293,408</u>            | <u>100.00%</u> | <u>\$302,183,155</u>           | <u>100.00%</u> |
| Tax Rate per \$1,000 of<br>Assessed Valuation     | \$63.00                         |                | \$63.00                        |                |

**8. RECEIVABLES**

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

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

**8. RECEIVABLES (Continued)**

A summary of the principal items of intergovernmental receivables follows:

| <u>Intergovernmental Receivables:</u> | <u>Amount</u>             |
|---------------------------------------|---------------------------|
| General Fund:                         |                           |
| Excess Costs                          | \$31,588                  |
| Exempt Valuation Adjustment           | <u>1,439,163</u>          |
| Total General Fund                    | 1,470,751                 |
| Special Revenue Funds:                |                           |
| Title I                               | 83,261                    |
| Enterprise Funds:                     |                           |
| Food Service                          | <u>3,508</u>              |
| Grand Total                           | <u><u>\$1,557,520</u></u> |

**9. FIXED ASSETS**

A summary of the Enterprise Funds' fixed assets at June 30, 1999, follows:

|                                |                         |
|--------------------------------|-------------------------|
| Furniture and Equipment        | \$396,793               |
| Less: Accumulated Depreciation | <u>(213,759)</u>        |
| Net Fixed Assets               | <u><u>\$183,034</u></u> |

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

|                                      | <u>Balance<br/>June 30, 1998</u> | <u>Additions</u>        | <u>Reductions</u> | <u>Balance<br/>June 30, 1999</u> |
|--------------------------------------|----------------------------------|-------------------------|-------------------|----------------------------------|
| Land                                 | \$3,141,668                      | \$0                     | \$0               | \$3,141,668                      |
| Buildings                            | 19,357,991                       | 57,721                  | 0                 | 19,415,712                       |
| Furniture, Fixtures<br>and Equipment | 4,105,221                        | 452,036                 | 0                 | 4,557,257                        |
| Vehicles                             | <u>1,490,451</u>                 | <u>110,000</u>          | <u>0</u>          | <u>1,600,451</u>                 |
| Total                                | <u><u>\$28,095,331</u></u>       | <u><u>\$619,757</u></u> | <u><u>\$0</u></u> | <u><u>\$28,715,088</u></u>       |

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

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

**10. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 1999, the School District contracted with Nationwide Insurance for liability insurance, Reed and Baur Insurance Company for property insurance, fleet and inland marine insurance and Matthews Insurance for boiler and machinery insurance. Coverages provided are as follows:

|   |              |
|---|--------------|
| Buildings and Contents - replacement cost (90% co-insurance)            | \$55,486,519 |
| Boiler and Machinery (\$250 deductible)                                 | 10,000,000   |
| Automobile Liability (\$500 deductible for collision and comprehensive) | 1,000,000    |
| Uninsured Motorists (\$500 deductible for collision and comprehensive)  | 1,000,000    |
| General Liability:  |              |
| Per Occurrence  | 2,000,000    |
| Aggregate Limit   | 5,000,000    |

Settled claims have not exceeded this commercial coverage in any of the last three years. There has been no significant change in coverage from last year, except in property insurance, building and contents.

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 20). The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. 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 Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan 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 Plan. 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 Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

The School District provides a limited health insurance program for its employees. Premiums are paid directly to a third-party administrator, Anthem Blue Cross/Blue Shield, out of the School District's Self-Insurance Internal Service Fund. Anthem Blue Cross/Blue Shield services all claims submitted by employees. The Internal Service Fund presented in the financial statements reflects the premiums paid into the Self-Insurance Internal Service Fund by the same funds that pay the employees' salaries. The School District pays monthly premiums of up to \$473.00 for certified and \$413.00 for classified employees for family coverage and up to \$172.00 for certified and \$150.00 for classified employees single coverage. The premiums paid into the Internal Service Fund are used for claims, claim reserves and administrative costs. An excess coverage insurance policy covers individual claims in excess of \$100,000 per employee per year.

The School District also provides prescription drug insurance to its employees through a self-insured program. This plan utilizes a \$2 per prescription deductible for certified employees and no deductible for classified employees. The third party administrator, Core Source, Inc., review and pays claims for certified employees. For classified employees, Kroger is the third party administrator that reviews and pays claims. The School District pays monthly premiums for this coverage of \$170.00 for certified and \$160.00 for classified family coverage and \$65.00 for certified and \$60.00 for classified single coverage.

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

**10. RISK MANAGEMENT (Continued)**

The claims liability of \$211,902 reported in the Internal Service Fund at June 30, 1999, is based on an estimate provided by the third party administrators and the requirements of GASB Statement No. 10, which requires that a liability for unpaid claims, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

| <u>Fiscal Year</u> | <u>Balance at Beginning of Year</u> | <u>Current Year Claims</u> | <u>Claims Payments</u> | <u>Balance at End of Year</u> |
|--------------------|-------------------------------------|----------------------------|------------------------|-------------------------------|
| 1998               | \$312,591                           | \$1,389,078                | \$1,408,278            | \$293,391                     |
| 1999               | 293,391                             | 935,641                    | 1,017,130              | 211,902                       |

**11. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. 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. The report may be obtained by writing to the State Teachers Retirement System, 275 E. Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Prior to July 1, 1998, the portion used to fund pension obligations was 10.5 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. The School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$1,369,427, \$1,143,847, and \$1,071,024, respectively; 83.05 percent has been contributed for fiscal year 1999 and 100 percent has been contributed for fiscal years 1998 and 1997. \$232,088, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**B. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215.

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

**11. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. School Employees Retirement System (Continued)**

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1999, 7.7 percent was the portion to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$502,717, \$356,550, and \$270,882, respectively; 57.71 percent has been contributed for fiscal year 1999 and 100 percent has been contributed for fiscal years 1998 and 1997. \$212,592, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, no members of the Board of Education have elected Social Security.

**12. POSTEMPLOYMENT BENEFITS**

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

The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1998, the Board allocated employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1998, the allocation was increased to 8 percent. For the School District, this amount equaled \$782,530 during fiscal year 1999.

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

For this fiscal year, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. 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.



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

**12. POSTEMPLOYMENT BENEFITS (Continued)**

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, (the latest information available) were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$232,261 during the 1999 fiscal year.

**13. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 290 days for classified employees and 375 for certified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days for classified employees and 65 days for certified employees.

**B. Dental, Vision and Life Insurance**

Dental coverage is provided through Core Source, Inc. Premiums for this coverage are \$31.18 monthly for classified family and single coverage and \$54.11 for certified family and single coverage.

Vision insurance is provided by the School District through Core Source, Inc. The School District pays monthly premiums of up to \$11.75 for certified and \$11.00 for classified family coverage and up to \$5.21 for certified and \$5.01 for classified single coverage.

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Core Source in the amount of \$15,000 for classified employees, \$25,000 for certified employees, \$50,000 for administrators, \$100,000 for the Superintendent, and \$75,000 for the Treasurer.

**C. Early Retirement Incentive**

The School District Board of Education on January 15, 1998, approved an Early Retirement. Participation was open to STRS employees who were at least fifty years old, qualified for retirement with the years purchased by the Board, and agreed to retire within ninety days after notification that credit had been purchased. The credit could not exceed the lesser of one year or one-fifth of each member's total Ohio service. The Board limited the number of employees participating in the plan to ten percent of eligible STRS employees in any one year. The Board had the option of paying the liability in its entirety or in installments. The Board elected to pay the retirement buyout as the invoices were received from STRS.

As an additional provision of the program, STRS members, who elected to have the Board of Education purchase one year of retirement credit, receive their unused compensated absence payment in one installment within the same calendar year as retirement.

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

**13. OTHER EMPLOYEE BENEFITS (Continued)**

**C. Early Retirement Incentive (Continued)**

STRS members who chose to participate in the one year early retirement buyout option and have or will have the required age and years of service, including the one year of purchased service required by STRS, had to retire within ninety days after notification that credit had been purchased.

STRS employees must inform the School District ninety days prior to retirement. The retirement incentive program was only in effect from January 16, 1998 through January 15, 1999.

During the fiscal year, the School District paid a total of \$206,676 in early retirement incentive obligations. Of the \$206,676, \$112,368 was from June 30, 1998 liabilities and \$94,308 was from current year fiscal obligations. As of June 30, 1999, there were no early retirement incentive obligations.

**D. Deferred Compensation**

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

Under the Ohio Public Employees Deferred Compensation program, all assets are now being held in a trust arrangement for the exclusive benefit of participants and their beneficiaries, as required by the Small Business Protection Act of 1996. Under this Act, all existing deferred compensation plans were required to implement such a trust arrangement by January 1, 1999. As a result, the assets of the plan are no longer reflected in the financial statements of the School District.

**14. SHORT-TERM OBLIGATIONS**

A summary of the short-term obligations for the fiscal year ended June 30, 1999, follows:

|                            | <u>Outstanding at<br/>July 1, 1998</u> | <u>Additions</u> | <u>Reductions</u> | <u>Outstanding at<br/>June 30, 1999</u> |
|----------------------------|--|------------------|-------------------|---|
| Early Retirement Incentive | \$0                                    | \$94,308         | \$94,308          | \$0                                     |

The early retirement incentive obligation was repaid from the fund which employees' salaries are paid.

**15. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term note and bonds during fiscal year 1999, were as follows:

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

**15. LONG-TERM OBLIGATIONS (Continued)**

|                                     | Issue<br>Date | Interest<br>Rate | Principal<br>Outstanding<br>7/1/98 | Additions  | Reductions       | Principal<br>Outstanding<br>6/30/99 |
|-------------------------------------|---------------|------------------|------------------------------------|------------|------------------|-------------------------------------|
| Energy Conservation Note            | 1994          | 4.95%            | \$1,135,000                        | \$0        | \$165,000        | \$970,000                           |
| General Obligation Bonds:           |               |                  |                                    |            |                  |                                     |
| Renovation Bonds                    | 1980          | 7.625%           | 350,000                            | 0          | 240,000          | 110,000                             |
| Current Improvement Bonds           | 1990          | 7.20%            | 625,000                            | 0          | 195,000          | 430,000                             |
| Refunding Bonds                     | 1993          | 2.4 -<br>5.2%    | <u>2,849,973</u>                   | <u>0</u>   | <u>100,000</u>   | <u>2,749,973</u>                    |
| Total General Obligation Bonds      |               |                  | <u>3,824,973</u>                   | <u>0</u>   | <u>535,000</u>   | <u>3,289,973</u>                    |
| Total General Long-Term Obligations |               |                  | <u>\$4,959,973</u>                 | <u>\$0</u> | <u>\$700,000</u> | <u>\$4,259,973</u>                  |

The changes in the School District's other long-term obligations during fiscal year 1999 were as follows:

|  | Principal<br>Outstanding<br>7/1/98 | Additions        | Reductions       | Principal<br>Outstanding<br>6/30/99 |
|--|------------------------------------|------------------|------------------|-------------------------------------|
| Intergovernmental (Pension) Obligation | \$152,820                          | \$9,182          | \$0              | \$162,002                           |
| Early Retirement Incentive             | 112,368                            | 0                | 112,368          | 0                                   |
| Property Tax Refund Payable            | 111,448                            | 91,839           | 117,466          | 85,821                              |
| Compensated Absences                   | <u>1,272,876</u>                   | <u>24,367</u>    | <u>0</u>         | <u>1,297,243</u>                    |
| Total General Long-Term Obligations    | <u>\$1,649,512</u>                 | <u>\$125,388</u> | <u>\$229,834</u> | <u>\$1,545,066</u>                  |

*Energy Conservation Long-Term Note* - On March 1, 1994, the School District issued \$1,696,942 in voted general obligation notes for the purpose of installing energy conservation improvements for the School District, under the authority of Ohio Revised Code Sections 133.06(C) and 3313.372. The bonds were issued for a ten year period with final maturity fiscal year 2004. The debt will be retired through reductions in energy consumption and cost savings attributed to the installation of the energy conservation improvements.

*Renovations General Obligation Bonds* - In 1978 and 1980, the School District issued voted general obligation bonds for the purpose of renovating the Chauncey and West Elementary buildings. Both bonds were issued for a twenty year period with final maturity at December 1, 1998 for the 1978 series and December 1, 2000, for the 1980 series. The bonds will be retired from the Debt Service Fund using tax revenues.

*Current Improvement General Obligation Bonds* - In 1990, the School District obtained a general obligation bond for the purpose of improvements to elementary buildings. The bonds were issued for a ten year period with final maturity during fiscal year 2001. The bonds will also be retired from the Debt Service Fund through tax revenues.

The 1993 series refunding general obligation bonds were issued for the purpose of providing the funds necessary to advance refund the \$3,305,000 principal amount for the School District's School Improvement Bonds, Series 1990. The proceeds of the refunding were deposited in an irrevocable trust with Bank One Trust Company to provide for all future debt service payments. The payment to the escrow agent resulted in an in-substance defeasance of the 1990 Series bonds. As a result, the liability for the 1990 Series bonds was removed from the General Long-Term Obligations Account Group.

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

**15. LONG-TERM OBLIGATIONS (Continued)**

As of June 30, 1999, \$102 in cash and \$3,479,100 in investments remained with the escrow agent to retire the outstanding bonds in the amount of \$3,305,000. The 1990 series bonds were issued for the purpose of constructing, furnishing, and equipping a new elementary school and other buildings and facilities for school purposes. The refunding bonds will be paid using tax revenues.

Compensated absences, the early retirement incentive and the intergovernmental (pension) obligation, which represents the contractually required pension contribution paid outside the available period, will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$23,882,977 with an unvoted debt margin of \$217,054 at June 30, 1999.

Principal and interest requirements to retire the general obligation debt, including notes outstanding at June 30, 1999, are as follows:

| Fiscal Year<br>Ending June 30 | <u>Principal</u>   | <u>Interest</u>    | <u>Total</u>       |
|-------------------------------|--------------------|--------------------|--------------------|
| 2000                          | \$545,000          | \$197,266          | \$742,266          |
| 2001                          | 570,000            | 164,408            | 734,408            |
| 2002                          | 255,480            | 437,327            | 692,807            |
| 2003                          | 247,947            | 435,063            | 683,010            |
| 2004                          | 254,118            | 438,621            | 692,739            |
| 2005 - 2011                   | <u>2,387,428</u>   | <u>813,336</u>     | <u>3,200,764</u>   |
| Total                         | <u>\$4,259,973</u> | <u>\$2,486,021</u> | <u>\$6,745,994</u> |

Annual requirements to retire the property tax refund obligation at June 30, 1999 are as follows:

| Fiscal Year<br>Ending June 30 | <u>Principal</u> |
|-------------------------------|------------------|
| 2000                          | 25,627           |
| 2001                          | 25,627           |
| 2002                          | 25,627           |
| 2003                          | <u>8,940</u>     |
| Total                         | <u>\$85,821</u>  |

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

**16. INTERFUND ACTIVITY**

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

|                              | <u>Interfund<br/>Receivable</u> | <u>Interfund<br/>Payable</u> |
|------------------------------|---------------------------------|------------------------------|
| General Fund                 | \$35,000                        | \$0                          |
| <u>Special Revenue Funds</u> |                                 |                              |
| District Managed Activities  | 0                               | 10,000                       |
| Title I                      | <u>0</u>                        | <u>25,000</u>                |
| Total Special Revenue Funds  | <u>0</u>                        | <u>35,000</u>                |
| Total                        | <u>\$35,000</u>                 | <u>\$35,000</u>              |

**17. STATUTORY SET-ASIDES**

The following changes occurred in the School District's set-aside reserve accounts during fiscal year 1999:

|   | <u>Budget<br/>Stabilization<br/>Reserve</u> | <u>Capital<br/>Improvements<br/>Reserve</u> | <u>Textbooks/<br/>Instructional<br/>Materials<br/>Reserve</u> | <u>Total</u>       |
|---|---|---|---|--------------------|
| Set-aside Cash Balance<br>as of June 30, 1998       | \$108,403                                   | \$0   | \$0   | \$108,403          |
| Current Year Set-Aside<br>Requirement               | 0   | 225,025                                     | 225,025   | 450,050            |
| Current Year Offsets                                | 0   | 0   | (44,154)  | (44,154)           |
| Qualifying Disbursements                            | <u>0</u>                                    | <u>(633,769)</u>                            | <u>(616,218)</u>  | <u>(1,249,987)</u> |
| Total   | <u>\$108,403</u>                            | <u>(\$408,744)</u>                          | <u>(\$435,347)</u>  | <u>(\$735,688)</u> |
| Cash Balance Carried<br>Forward to Fiscal Year 2000 | <u>\$108,403</u>                            | <u>\$0</u>                                  | <u>\$0</u>  |                    |
| Total Restricted Assets                             |   |   |   | <u>\$108,403</u>   |

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 in future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

**18. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operation of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the School District as of and for the year ended June 30, 1999:

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

**18. SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

|  | <u>Food Service</u> | <u>Uniform<br/>School Supplies</u> | <u>Total</u> |
|--|---------------------|------------------------------------|--------------|
| Operating Revenues                     | \$333,246           | \$66,060                           | \$399,306    |
| Operating Expenses Before Depreciation | 744,015             | 56,246                             | 800,261      |
| Depreciation Expense                   | 11,559              | 0                                  | 11,559       |
| Operating Income (Loss)                | (422,328)           | 9,814                              | (412,514)    |
| Donated Commodities                    | 30,111              | 0                                  | 30,111       |
| Operating Grants                       | 268,151             | 0                                  | 268,151      |
| Operating Transfers - In               | 220,000             | 248                                | 220,248      |
| Net Income (Loss)                      | 95,934              | 10,062                             | 105,996      |
| Net Working Capital                    | (12,144)            | 26,439                             | 14,295       |
| Total Assets                           | 263,270             | 28,710                             | 291,980      |
| Total Liabilities                      | 92,380              | 2,271                              | 94,651       |
| Total Equity                           | 170,890             | 26,439                             | 197,329      |
| Reserve for Encumbrances               | 1,062               | 6,816                              | 7,878        |

**19. JOINTLY GOVERNED ORGANIZATIONS**

**A. Southeast Ohio Voluntary Educational Consortium (SEOVEC)**

Southeast Ohio Voluntary Educational Consortium is a jointly governed organization created as a regional council of governments pursuant to State statutes. SEOVEC has 38 participants consisting of 30 school districts and 8 educational service centers. SEOVEC provides financial accounting services, educational management information, and cooperative purchasing services to member districts. Each member district pays a fee annually for services provided by SEOVEC. SEOVEC is governed by a governing board which is selected by the member districts. Each district has one vote in all matters, and each member district's control over budgeting and financing of SEOVEC is limited to its voting authority and any representation it may have on the governing board. SEOVEC operates with its own Treasurer. The continued existence of SEOVEC is not dependent on the School District's continued participation and no equity interest exists. SEOVEC has no outstanding debt. Financial statements for SEOVEC can be obtained from the Southeast Ohio Voluntary Educational Consortium, 221 North Columbus Road, Athens, Ohio 45701. The School District made no payments to SEOVEC in fiscal year 1999.

**B. Tri-County Joint Vocational School District**

The Tri-County Joint Vocational School District is a jointly governed organization providing vocational education services to its eight member districts. The Joint Vocational School is governed by a board of education comprised of eleven members from the participating schools. The Board controls the financial activity of the Joint Vocational School and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Joint Vocational School is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 1999, the School District made no contributions to the Joint Vocational School. Financial information can be obtained from the Tri-County Joint Vocational School District, 15676 State Route 691, Nelsonville, Ohio 45764.

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

**19. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**C. The Coalition of Rural and Appalachian Schools**

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The Board members are composed of one superintendent from each County elected by the school districts within that County. The Coalition provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Coalition. The School District made no significant payments for membership in fiscal year 1999.

**20. INSURANCE PURCHASING POOL**

**Ohio School Boards Association Workers' Compensation Group Rating Plan**

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

**21. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure 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.

**B. Litigation**

The School District is not a party to any legal proceedings.

**22. STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the 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 significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$5,402,125 of school foundation support for its General Fund.

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

**22. STATE SCHOOL FUNDING DECISION (Continued)**

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature 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. As of the date of this report, 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 these programs and on its financial operations.

**23. YEAR 2000 ISSUE**

The Year 2000 Issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations.

The School District has completed an inventory of computer and other equipment necessary to conduct School District operations and has identified such systems as being financial reporting, payroll and employee benefits, asset and equipment inventory, and educational statistics reporting (through the State's Education Management and Information System (EMIS)). The School District has two buildings with power, heating and air conditioning systems which have extensive efficiency utilization measures within these systems. The information described below is as of June 30, 1999.

The School District uses the State of Ohio Uniform School Accounting System software for its financial reporting, the State of Ohio Uniform School Payroll System software for its payroll and employee benefits, and the State of Ohio School Asset Account System/Equipment Inventory Subsystem for keeping its fixed asset records. The State has tested and validated these systems for year 2000 compliance.

The State of Ohio distributes a substantial sum of money to the School District in the form of "foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and nonfinancial information about the Educational Service Center through EMIS. The State has also tested and validated these systems for year 2000 compliance.

The School District made changes to the power, heating and air conditioning, clock and alarm systems. The School District has tested and validated these systems for year 2000 compliance.

The School District has also attempted to solicit information from other entities such as vendors and service agents whose year 2000 compliance could effect the operations of the School District. Although the School District does not have full and complete knowledge, it has received no responses to date that would indicate problems with third-party year 2000 compliance that would have a materially negative impact on the School District.

To the best of management's knowledge and belief, as of January 4, 2000, the government experienced no significant interruption of mission-critical operations or services related to the Year 2000 Issue. However, because of the unprecedented nature of the Year 2000 Issue, matters may yet arise, and parties with whom the School District does business may also experience Year 2000 readiness issues that are as yet, unknown.



**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 1999**

| <b>FEDERAL GRANTOR</b><br><i>Pass-Through Grantor</i><br>Program Title                     | Federal<br>CFDA<br>Number | Pass-Through<br>Entity Number | Receipts       | Noncash<br>Receipts | Disbursements  | Noncash<br>Disbursements |
|--|---------------------------|-------------------------------|----------------|---------------------|----------------|--------------------------|
| <b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>   |                           |                               |                |                     |                |                          |
| <i>Pass-Through State Department of Education</i>  |                           |                               |                |                     |                |                          |
| Food Distribution Program  | 10.550                    | N/A                           | \$0            | \$30,111            | \$0            | \$35,569                 |
| Child Nutrition Cluster:   |                           |                               |                |                     |                |                          |
| School Breakfast Program   | 10.553                    | 05-PU-98                      | 4,028          | 0                   | 4,028          | 0                        |
|  |                           | 05-PU-99                      | <u>21,484</u>  | <u>0</u>            | <u>21,484</u>  | <u>0</u>                 |
| Total School Breakfast Program   |                           |                               | 25,512         | 0                   | 25,512         | 0                        |
| National School Lunch Program  | 10.555                    | 03-PU-98                      | 4,628          | 0                   | 4,628          | 0                        |
|  |                           | 04-PU-98                      | 26,526         | 0                   | 26,526         | 0                        |
|  |                           | 03-PU-99                      | 29,239         | 0                   | 29,239         | 0                        |
|  |                           | 04-PU-99                      | <u>160,506</u> | <u>0</u>            | <u>160,506</u> | <u>0</u>                 |
| Total National School Lunch Program  |                           |                               | <u>220,899</u> | <u>0</u>            | <u>220,899</u> | <u>0</u>                 |
| Total Child Nutrition Cluster  |                           |                               | <u>246,411</u> | <u>0</u>            | <u>246,411</u> | <u>0</u>                 |
| Total United States Department of Agriculture  |                           |                               | 246,411        | 30,111              | 246,411        | 35,569                   |
| <b>UNITED STATES DEPARTMENT OF LABOR</b>   |                           |                               |                |                     |                |                          |
| <i>Pass-Through State Department of Education</i>  |                           |                               |                |                     |                |                          |
| Employment Services and Job Training - Pilot<br>and Demonstration (School-to-Work) Program | 17.249                    | MS-S1-98                      | 0              | 0                   | 23,281         | 0                        |
|  |                           | MS-S1-99                      | <u>0</u>       | <u>0</u>            | <u>29,850</u>  | <u>0</u>                 |
| Total Employment Services and Job Training Program   |                           |                               | <u>0</u>       | <u>0</u>            | <u>53,131</u>  | <u>0</u>                 |
| Total United States Department of Labor  |                           |                               | 0              | 0                   | 53,131         | 0                        |
| <b>UNITED STATES DEPARTMENT OF EDUCATION</b>   |                           |                               |                |                     |                |                          |
| <i>Pass-Through State Department of Education</i>  |                           |                               |                |                     |                |                          |
| Title I Grants to Local Educational Agencies   | 84.010                    | C1-S1-98                      | 181,150        | 0                   | 229,515        | 0                        |
|  |                           | C1-S1-99                      | 453,922        | 0                   | 468,423        | 0                        |
|  |                           | C1-SD-99                      | <u>7,853</u>   | <u>0</u>            | <u>0</u>       | <u>0</u>                 |
| Total Title I Grants to Local Educational Agencies   |                           |                               | <u>642,925</u> | <u>0</u>            | <u>697,938</u> | <u>0</u>                 |
| Special Education Cluster:   |                           |                               |                |                     |                |                          |
| Special Education - Grants to States   | 84.027                    | 6B-SF-97P                     | 0              | 0                   | 26,665         | 0                        |
|  |                           | 6B-SF-98P                     | <u>141,804</u> | <u>0</u>            | <u>120,455</u> | <u>0</u>                 |
| Total Special Education - Grants to States   |                           |                               | 141,804        | 0                   | 147,120        | 0                        |
| Special Education Preschool Grant  | 84.173                    | PG-S1-96                      | 0              | 0                   | (71)           | 0                        |
|  |                           | PG-S1-97                      | 0              | 0                   | 970            | 0                        |
|  |                           | PG-S1-98                      | <u>12,675</u>  | <u>0</u>            | <u>7,738</u>   | <u>0</u>                 |
| Total Special Education Preschool Grant  |                           |                               | <u>12,675</u>  | <u>0</u>            | <u>8,637</u>   | <u>0</u>                 |
| Total Special Education Cluster  |                           |                               | 154,479        | 0                   | 155,757        | 0                        |
| Safe and Drug-Free Schools and Communities   | 84.186                    | DR-S1-97                      | 0              | 0                   | 12,872         | 0                        |
|  |                           | DR-S1-98                      | 17,464         | 0                   | 13,888         | 0                        |
|  |                           | DR-S1-99                      | <u>13,943</u>  | <u>0</u>            | <u>2,635</u>   | <u>0</u>                 |
| Total Safe and Drug-Free Schools and Communities   |                           |                               | <u>31,407</u>  | <u>0</u>            | <u>29,395</u>  | <u>0</u>                 |
| Goals 2000 - State and Local<br>Education Systemic Improvement Grant                       | 84.276                    | G2-S4-98                      | 0              | 0                   | 1,305          | 0                        |
| Eisenhower Professional Development State Grants   | 84.281                    | MS-S1-98                      | 0              | 0                   | 12,458         | 0                        |
|  |                           | MS-S1-99                      | <u>18,883</u>  | <u>0</u>            | <u>9,502</u>   | <u>0</u>                 |
| Total Eisenhower Professional Development State Grants                                     |                           |                               | <u>18,883</u>  | <u>0</u>            | <u>21,960</u>  | <u>0</u>                 |

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

| <b>FEDERAL GRANTOR</b>  | Federal       |                      |                           |                        |                           |                        |
|---|---------------|----------------------|---------------------------|------------------------|---------------------------|------------------------|
| <i>Pass-Through Grantor</i>                                   | CFDA          | Pass-Through         |                           | Noncash                |                           | Noncash                |
| <u>Program Title</u>  | <u>Number</u> | <u>Entity Number</u> | <u>Receipts</u>           | <u>Receipts</u>        | <u>Disbursements</u>      | <u>Disbursements</u>   |
| <b>UNITED STATES DEPARTMENT OF EDUCATION (Continued)</b>      |               |                      |                           |                        |                           |                        |
| <i>Pass-Through State Department of Education (Continued)</i> |               |                      |                           |                        |                           |                        |
| Innovative Education Program Strategies                       | 84.298        | C2-S1-97             | 0                         | 0                      | 823                       | 0                      |
|   |               | C2-S1-98             | 0                         | 0                      | 9,594                     | 0                      |
|   |               | C2-S1-99             | <u>14,940</u>             | <u>0</u>               | <u>13,804</u>             | <u>0</u>               |
| Total Innovative Education Program Strategies                 |               |                      | <u>14,940</u>             | <u>0</u>               | <u>24,221</u>             | <u>0</u>               |
| <i>Direct from Federal Government:</i>                        |               |                      |                           |                        |                           |                        |
| Telecommunications Act Grant - FCC E-Rate                     | 84.XXX        | N/A                  | <u>47,262</u>             | <u>0</u>               | <u>0</u>                  | <u>0</u>               |
| Total United States Department of Education                   |               |                      | <u>909,896</u>            | <u>0</u>               | <u>930,576</u>            | <u>0</u>               |
| <b>Total Federal Awards Receipts and Expenditures</b>         |               |                      | <b><u>\$1,156,307</u></b> | <b><u>\$30,111</u></b> | <b><u>\$1,230,118</u></b> | <b><u>\$35,569</u></b> |

*The accompanying notes to this Schedule are an integral part of this Schedule.*

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 1999**

**Note 1 - Basis of Accounting**

The School District prepares its Schedule of Federal Awards Receipts and Expenditures on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

**Note 2 - Matching Requirements**

Certain federal programs require the School District to contribute nonfederal (matching) funds to support the federally funded programs. The School District has complied with the matching requirements. The expenditure of nonfederal matching funds is not included on the Schedule.

**Note 3 - Food Distribution**

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 or 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, 1999, the School District had no significant food commodities in inventory.

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Athens City School District  
Athens County  
25 South Plains Road  
P.O. Box 68  
The Plains, Ohio 45780

To the Board of Education:

We have audited the general purpose financial statements of the Athens City School District, Athens County, Ohio, (the School District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 4, 2000, wherein we noted that the School District changed its method of accounting for deferred compensation plan assets. 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 School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 1999-10705-001 and 1999-10705-002. We also noted certain immaterial instances of noncompliance that we have reported to the management of the School District in a separate letter dated January 4, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School 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 School District in a separate letter dated January 4, 2000.

Athens City School District  
Athens County  
Report of Independent Accountants on Compliance and  
on Internal Control Required by *Government Auditing Standards*  
Page 2

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

**Jim Petro**  
Auditor of State

January 4, 2000



STATE OF OHIO  
OFFICE OF THE AUDITOR

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**

Athens City School District  
Athens County  
25 South Plains Road  
P.O. Box 68  
The Plains, Ohio 45780

To the Board of Education:

**Compliance**

We have audited the compliance of the Athens City School District, Athens County, Ohio, (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The School District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 School 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 School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

**Internal Control Over Compliance**

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

**Jim Petro**  
Auditor of State

January 4, 2000



**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505**

**FOR THE YEAR ENDED JUNE 30, 1999**

|  |
|--|
| <b>1. SUMMARY OF AUDITOR'S RESULTS</b> |
|--|

|              |   |  |
|--------------|---|--|
| (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 conditions reported at the financial statement level (GAGAS)?             | No   |
| (d)(1)(iii)  | Was there any reported material noncompliance 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):  | Title I Grants to Local Educational Agencies<br><br>CFDA #84.010 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs   | Type A: > \$300,000<br>Type B: all others                        |
| (d)(1)(ix)   | Low Risk Auditee?   | Yes  |

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505**

**FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

|   |
|---|
| <b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|---|

**Finding Number 1999-10705-001**

**Ohio Rev. Code § 5705.39** states that the total appropriation from each fund should not exceed the total estimated revenue.

We found appropriations exceeded estimated revenue at December 17, 1998, in the following funds:

| <u>Fund</u>             | <u>Estimated<br/>Revenue</u> | <u>Appropriations</u> | <u>Variance</u> |
|-------------------------|------------------------------|-----------------------|-----------------|
| Rotary Funds            | \$2,009                      | \$4,800               | (\$2,791)       |
| Eisenhower Grant        | 30,291                       | 30,669                | (378)           |
| Drug Free Schools       | 28,990                       | 33,572                | (4,582)         |
| Uniform School Supplies | 6,560                        | 91,687                | (85,127)        |

We found appropriations exceed estimated revenue at June 30, 1999, in the following funds:

| <u>Fund</u>       | <u>Estimated<br/>Revenue</u> | <u>Appropriations</u> | <u>Variance</u> |
|-------------------|------------------------------|-----------------------|-----------------|
| Title VI-B        | \$69,577                     | \$168,859             | (\$99,282)      |
| Title I           | 569,560                      | 1,014,463             | (444,903)       |
| Drug-Free Schools | 22,953                       | 46,454                | (23,501)        |

We recommend the School District monitor the appropriations and estimated revenue to ensure that appropriations do not exceed estimated revenue.

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505**

**FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**Finding Number 1999-10705-002**

**Ohio Rev. Code § 5705.41(B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated.

We found that budgetary expenditures exceeded appropriations and carry-over encumbrance at the legal level of control at May 31, 1999, in the following line items:

| <u>Fund/Line Item</u>  | <u>Appropriations</u> | <u>Budgetary Expenditures</u> | <u>Variance</u> |
|--|-----------------------|-------------------------------|-----------------|
| General Fund   |                       |                               |                 |
| Regular Instruction - Purchased Services                             | \$116,940             | \$181,447                     | (\$64,507)      |
| Special Instruction - Employee Retirement and Insurance Benefits     | 384,165               | 388,601                       | (4,436)         |
| Operation and Maintenance of Plant Services - Supplies and Materials | 361,532               | 412,095                       | (50,563)        |
| Bond Retirement Fund   |                       |                               |                 |
| Repayment of Debt - Miscellaneous Objects                            | 0                     | 633,363                       | (633,363)       |
| Model UN - TAG Fund  |                       |                               |                 |
| Special Instruction - Purchased Services                             | 17,305                | 32,305                        | (15,000)        |
| Title I Fund   |                       |                               |                 |
| Special Instruction - Personal Services - Salaries                   | 0                     | 101,983                       | (101,983)       |

The Board of Education adopted an amended appropriation resolution in June 1999, that effectively eliminated the variances. We recommend the School District monitor its appropriations and expenditures to ensure that expenditures do not exceed appropriations on an ongoing basis.

**3. FINDINGS FOR FEDERAL AWARDS**

There were no findings related to federal awards.

**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**OMB CIRCULAR A-133 §.315(b)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

| Finding Number | Finding Summary  | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid |
|----------------|--|------------------|--|
| 1998-10705-001 | A noncompliance citation was issued under Ohio Rev. Code Section 149.351 for failing to maintain public records properly.                            | Yes              | N/A  |
| 1998-10705-002 | A noncompliance citation was issued under Ohio Rev. Code Section 5705.41(B) for allowing expenditures to exceed appropriations in several funds.     | No               | Not Corrected  |
| 1998-10705-003 | A noncompliance citation was issued under Ohio Rev. Code Section 5705.39 for allowing appropriations to exceed estimated resources in several funds. | No               | Not Corrected  |
| 1998-10705-004 | A reportable condition was issued concerning the lack of controls over budgetary reporting.  | No               | Not Corrected - Included in the Management letter this audit.  |



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**ATHENS CITY SCHOOL DISTRICT**

**ATHENS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 29, 2000**