



**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Bellefontaine City School District
Logan County
820 Ludlow Road
Bellefontaine, Ohio 43311

To the Board of Education:

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

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 Bellefontaine City School District, Logan County, as of June 30, 1999, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for the purpose 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

March 7, 2000

Bellefontaine City School District

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,350,137	\$456,867	\$610,600	\$296,711
Investments	0	0	0	0
Receivables:				
Taxes	6,517,110	0	1,031,342	193,061
Accounts	9,759	8,402	0	0
Intergovernmental	13,351	6,810	0	0
Accrued Interest	592	0	0	0
Interfund Loans Receivable	61,316	0	0	0
Materials and Supplies Inventory	18,473	0	0	0
Prepaid Items	25,769	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	198,858	0	0	0
Fixed Assets	0	0	0	0
Accumulated Depreciation	0	0	0	0
Other Debits:				
Amount Available in Debt Service for				
Retirement of General Long-Term Obligations	0	0	0	0
Amount to be Provided from				
General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$10,195,365</u>	<u>\$472,079</u>	<u>\$1,641,942</u>	<u>\$489,772</u>
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$12,388	\$28,060	\$0	\$14,021
Accrued Wages and Benefits	1,904,012	63,301	0	0
Compensated Absences Payable	16,778	0	0	0
Interfund Loans Payable	0	60,503	0	0
Intergovernmental Payable	235,208	12,745	0	0
Deferred Revenue	6,167,934	0	996,266	193,061
Due to Students	0	0	0	0
Claims Payable	0	0	0	0
Energy Conservation Notes Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>8,336,320</u>	<u>164,609</u>	<u>996,266</u>	<u>207,082</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved:				
Reserved for Encumbrances	58,807	92,998	0	226,953
Reserved for Inventory	18,473	0	0	0
Reserved for Prepaid Items	25,769	0	0	0
Reserved for Debt Service Principal	0	0	610,600	0
Reserved for Property Taxes	349,176	0	35,076	12,901
Reserved for Budget Stabilization	198,858	0	0	0
Reserved for /Trust Principal	0	0	0	0
Unreserved:				
Unreserved, Undesignated	1,207,962	214,472	0	42,836
Total Fund Equity and Other Credits	<u>1,859,045</u>	<u>307,470</u>	<u>645,676</u>	<u>282,690</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$10,195,365</u>	<u>\$472,079</u>	<u>\$1,641,942</u>	<u>\$489,772</u>

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

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$6,846	\$359,422	\$162,024	\$0	\$0	\$5,242,607
0	0	9,073	0	0	9,073
0	0	0	0	0	7,741,513
312	7,053	0	0	0	25,526
41,227	0	0	0	0	61,388
0	0	0	0	0	592
0	0	0	0	0	61,316
36,149	0	0	0	0	54,622
0	0	0	0	0	25,769
0	0	0	0	0	198,858
292,758	0	0	14,621,285	0	14,914,043
(212,163)	0	0	0	0	(212,163)
0	0	0	0	645,676	645,676
0	0	0	0	4,414,837	4,414,837
<u>\$165,129</u>	<u>\$366,475</u>	<u>\$171,097</u>	<u>\$14,621,285</u>	<u>\$5,060,513</u>	<u>\$33,183,657</u>
\$4,341	\$0	\$3,245	\$0	\$0	\$62,055
63,271	0	0	0	0	2,030,584
25,851	0	0	0	1,298,617	1,341,246
813	0	0	0	0	61,316
31,304	0	0	0	102,961	382,218
25,189	0	0	0	0	7,382,450
0	0	91,362	0	0	91,362
0	180,223	0	0	0	180,223
0	0	0	0	545,000	545,000
0	0	0	0	3,113,935	3,113,935
<u>150,769</u>	<u>180,223</u>	<u>94,607</u>	<u>0.00</u>	<u>5,060,513</u>	<u>15,190,389</u>
0	0	0	14,621,285	0	14,621,285
14,360	186,252	0	0	0	200,612
0	0	0	0	0	378,758
0	0	0	0	0	18,473
0	0	0	0	0	25,769
0	0	0	0	0	610,600
0	0	0	0	0	397,153
0	0	0	0	0	198,858
0	0	30,000	0	0	30,000
0	0	46,490	0	0	1,511,760
<u>14,360</u>	<u>186,252</u>	<u>76,490</u>	<u>14,621,285</u>	<u>0</u>	<u>17,993,268</u>
<u>\$165,129</u>	<u>\$366,475</u>	<u>\$171,097</u>	<u>14,621,285</u>	<u>\$5,060,513</u>	<u>\$33,183,657</u>

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

	Governmental Fund Types			Capital Projects	Fiduciary Fund Type Expensible Trust	Totals (Memorandum Only)
	General	Special Revenue	Debt Service			
Revenues:						
Taxes	\$6,322,450	\$0	\$541,716	\$187,541	\$0	\$7,051,707
Tuition	9,222	0	0	0	0	9,222
Intergovernmental	8,037,093	1,595,916	49,230	587,663	0	10,269,902
Interest	210,354	0	0	0	1,342	211,696
Tuition and Fees	3,259	0	0	0	0	3,259
Extracurricular Activities	0	243,841	0	0	9,037	252,878
Miscellaneous	61,825	0	0	0	740	62,565
Total Revenues	14,644,203	1,839,757	590,946	775,204	11,119	17,861,229
Expenditures:						
Current:						
Instruction:						
Regular	6,858,589	576,599	0	282,466	0	7,717,654
Special	1,411,229	379,273	0	0	25	1,790,527
Vocational	549,276	0	0	3,409	0	552,685
Other	53,839	0	0	0	0	53,839
Support Services:						
Pupil	517,532	84,975	0	0	1,252	603,759
Instructional Staff	558,226	343,783	0	0	0	902,009
Board of Education	117,596	0	0	0	0	117,596
School Administration	1,126,911	68,930	0	0	0	1,195,841
Fiscal	253,189	0	9,750	3,617	0	266,556
Business	168,620	0	0	0	0	168,620
Operation and Maintenance	1,373,727	13,365	0	378,552	0	1,765,644
Pupil Transportation	395,515	0	0	0	0	395,515
Central	108,764	21,139	0	0	9,012	138,915
Non-Instructional Services	5,136	0	0	0	4,600	9,736
Extracurricular activities	234,323	196,877	0	0	0	431,200
Capital Outlay	175	0	0	4,443	0	4,618
Debt Service:						
Debt Service - Principal	0	0	455,000	0	0	455,000
Debt Service - Interest	0	0	126,900	0	0	126,900
Total Expenditures	13,732,647	1,684,941	591,650	672,487	14,889	16,696,614
Excess of Revenues Over (Under) Expenditures	911,556	154,816	(704)	102,717	(3,770)	1,164,615
Other Financing Sources and (Uses)						
Operating Transfers In	0	0	93,298	0	0	93,298
Operating Transfers Out	(93,298)	0	0	0	0	(93,298)
Total Other Financing Sources (Uses)	(93,298)	0	93,298	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	818,258	154,816	92,594	102,717	(3,770)	1,164,615
Fund Balance at Beginning of Year	1,032,059	152,654	553,082	179,973	45,512	1,963,280
Increase in Reserve for Inventory	8,728	0	0	0	0	8,728
Fund Balance at End of Year	\$ 1,859,045	\$ 307,470	\$ 645,676	\$ 282,690	\$ 41,742	3,136,623

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

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

	General			Special Revenue		
	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$6,283,957	\$6,329,677	\$45,720	\$0	\$0	\$0
Tuition	11,000	12,369	1,369	0	0	0
Intergovernmental	8,180,745	8,035,823	(144,922)	1,565,318	1,562,098	(3,220)
Interest	200,000	210,371	10,371	0	0	0
Tuition and Fees	5,000	3,259	(1,741)	0	0	0
Extracurricular Activities	0	0	0	130,003	245,063	115,060
Miscellaneous	60,000	52,066	(7,934)	488,148	0	(488,148)
Total Revenues	14,740,702	14,643,565	(97,137)	2,183,469	1,807,161	(376,308)
Expenditures:						
Current:						
Instruction:						
Regular	7,133,997	6,766,848	367,149	690,271	614,205	76,066
Special	1,365,811	1,369,273	(3,462)	468,853	380,049	88,804
Vocational	551,951	539,661	12,290	0	0	0
Other	53,839	53,839	0	0	0	0
Support Services:						
Pupils	589,528	510,773	78,755	95,175	87,750	7,425
Instructional Staff	599,955	558,073	41,882	624,116	353,849	270,267
Board of Education	159,806	129,300	30,506	0	0	0
Administration	1,161,401	1,118,750	42,651	72,800	69,080	3,720
Fiscal	296,033	250,987	45,046	750	0	750
Business	172,716	169,127	3,589	0	0	0
Operation and Maintenance of Plant	1,432,538	1,399,712	32,826	37,255	17,826	19,429
Pupil Transportation	399,116	394,800	4,316	1,081	0	1,081
Central	113,860	108,551	5,309	24,841	20,854	3,987
Non-Instructional Services	7,877	5,138	2,739	1,000	0	1,000
Extracurricular activities	215,992	234,370	(18,378)	269,021	238,606	30,415
Capital Outlay	175	175	0	0	0	0
Debt Service:						
Debt Service - Principal	0	0	0	0	0	0
Debt Service - Interest	0	0	0	0	0	0
Contingencies	262	0	262	0	0	0
Total Expenditures	14,254,857	13,609,377	645,480	2,285,163	1,782,219	502,944
Excess of Revenues Over (Under) Expenditures	485,845	1,034,188	548,343	(101,694)	24,942	126,636
Other Financing Sources and Uses						
Operating Transfers In	0	0	0	89,169	89,170	1
Operating Transfers Out	(108,443)	(93,298)	15,145	(89,179)	(6,868)	82,311
Refund of Prior Year Expenditures	0	0	0	(5,457)	(5,457)	0
Total Other Financing Sources (Uses)	(108,443)	(93,298)	15,145	(5,467)	76,845	82,312
Excess of Rev and Other over Exp and Other	377,402	940,890	563,488	(107,161)	101,787	208,948
Fund Balances at Beginning of Year	2,598,226	2,598,226	0	173,519	173,519	0
Fund Balance at End of Year	\$2,975,628	\$3,539,116	\$563,488	\$66,358	\$275,306	\$208,948

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

Debt Service			Capital Projects		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$535,137	\$537,771	\$2,634	\$198,080	\$199,115	\$1,035
0	0	0	0	0	0
49,230	49,230	0	667,845	587,663	(80,182)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>584,367</u>	<u>587,001</u>	<u>2,634</u>	<u>865,925</u>	<u>786,778</u>	<u>(79,147)</u>
0	0	0	315,088	508,002	(192,914)
0	0	0	0	0	0
0	0	0	3,836	3,409	427
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
15,000	9,750	5,250	5,000	3,617	1,383
0	0	0	0	0	0
0	0	0	666,787	379,969	286,818
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	38,705	4,443	34,262
455,000	455,000	0	0	0	0
126,900	126,900	0	0	0	0
0	0	0	0	0	0
<u>596,900</u>	<u>591,650</u>	<u>5,250</u>	<u>1,029,416</u>	<u>899,440</u>	<u>129,976</u>
<u>(12,533)</u>	<u>(4,649)</u>	<u>7,884</u>	<u>(163,491)</u>	<u>(112,662)</u>	<u>50,829</u>
93,297	93,298	1	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>93,297</u>	<u>93,298</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>
80,764	88,649	7,885	(163,491)	(112,662)	50,829
521,951	521,951	0	168,399	168,399	0
<u>\$602,715</u>	<u>\$610,600</u>	<u>\$7,885</u>	<u>\$4,908</u>	<u>\$55,737</u>	<u>\$50,829</u>

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUNDS
FOR YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trusts</u>	
Operating revenues:				
Sales	\$ 409,360	\$ 0	\$ 0	\$ 409,360
Charges for self Insurance	0	1,238,883	0	1,238,883
Interest	0	0	2,255	2,255
Tuition and Fees	54,300	0	0	54,300
Total operating revenues	463,660	1,238,883	2,255	1,704,798
Operating expenses:				
Salaries and wages	257,117	0	0	257,117
Fringe benefits	100,553	0	0	100,553
Purchased services	14,553	1,821,122	0	1,835,675
Materials and supplies	382,768	0	0	382,768
Depreciation	6,873	0	0	6,873
Other operating expenses	0	0	1,900	1,900
Total operating expenses	761,864	1,821,122	1,900	2,584,886
Operating income (loss)	(298,204)	(582,239)	355	(880,088)
Nonoperating revenues (expenses):				
Interest revenue	793	20,658	0	21,451
Federal and State subsidies	261,639	0	0	261,639
Federal donated commodities	40,268	0	0	40,268
Other expenses	(609)	0	0	(609)
Total nonoperating revenues (expenses)	302,091	20,658	0	322,749
Net income (loss) before operating transfers	3,887	(561,581)	355	(557,339)
Net income (loss)	3,887	(561,581)	355	(557,339)
Retained earnings/ fund balance at July 1 (Restated Note 3)	10,473	747,833	34,393	792,699
Retained earnings/ fund balance at June 30	\$ 14,360	\$ 186,252	\$ 34,748	\$ 247,860

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

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUNDS
FOR YEAR ENDED JUNE 30, 1999

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trusts	
Cash flows from operating activities:				
Cash received from sales	\$ 409,048	\$ 0	\$ 0	\$ 409,048
Cash received from charges for services	0	1,334,888	0	1,334,888
Cash received from other revenues	54,300	0	0	54,300
Cash payments for employee services	(254,361)	0	0	(254,361)
Cash payments for employee benefits	(101,352)	0	0	(101,352)
Cash payments for contract services	(14,553)	(1,747,537)	0	(1,762,090)
Cash payments for supplies and materials	(342,448)	0	0	(342,448)
Cash payments for other expenses	0	0	(1,900)	(1,900)
Net cash provided by (used for) operating activities	(249,366)	(412,649)	(1,900)	(663,915)
Cash flows from noncapital financing activities:				
Federal and state subsidies	220,412	0	0	220,412
Other non-operating expense	(609)	0	0	(609)
Loans from Other Funds	813	0	0	813
Net cash provided by (used for) noncapital financing activities	220,616	0	0	220,616
Cash flows from investing activities:				
Interest on investments	793	20,658	2,255	23,706
Net cash provided by investing activities	793	20,658	2,255	23,706
Net increase (decrease) in cash and cash equivalents	(27,957)	(391,991)	355	(419,593)
Cash and cash equivalents at beginning of year	34,803	751,413	34,393	820,609
Cash and cash equivalents at end of year	\$ 6,846	\$ 359,422	\$ 34,748	\$ 401,016
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (298,204)	\$ (582,239)	\$ 355	\$ (880,088)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation	6,873	0	0	6,873
Nonexpendable Trust Interest	0	0	(2,255)	(2,255)
Other adjustments to non-operating income	81,495	0	0	81,495
Changes in assets and liabilities:				
Materials and Supplies inventory	734	0	0	734
Receivables	(41,539)	96,005	0	54,466
Accounts payable	61	0	0	61
Accrued wages and benefits	30,442	0	0	30,442
Compensated absences payable	1,612	0	0	1,612
Intergovernmental payable	(30,097)	0	0	(30,097)
Claims payable	0	73,585	0	73,585
Deferred revenue	(743)	0	0	(743)
Net cash provided by (used for) operating activities	\$ (249,366)	\$ (412,649)	\$ (1,900)	\$ (663,915)
Total Cash and Cash Equivalents - Trust and Agency	\$ 162,024			
Cash and Cash Equivalents - Agency Fund	(93,436)			
Cash and Cash Equivalents - Expendable Trust	(33,840)			
Cash and Cash Equivalents - Nonexpendable Trust	<u>\$ 34,748</u>			

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

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

1. DESCRIPTION OF THE SCHOOL DISTRICT

The Bellefontaine City School District (the District) is organized under Section 2 and 3, Article VI of the Constitution of the State of Ohio to provide educational services to the students and other community members of the District. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the school district is vested in the Board of Education, consisting of five members elected at large for staggered four year terms by the citizens of the District.

The District serves an area of approximately 31 square miles in Logan County, including all of the City of Bellefontaine, Ohio, and portions of surrounding townships.

The District is the 168 largest in the state of Ohio (among 611 school districts) in terms of enrollment. It currently operates four elementary schools, one middle school and one comprehensive high school. The District is staffed by 102 non-certificated employees, 207 certificated employees to provide services to approximately 2,914 students and other community members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Reporting Entity

The District's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement 14, "*The Financial Reporting Entity*". For financial reporting purposes, management has considered all potential component units by applying the criteria set forth in GASB Statement 14. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the Board's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units that should be blended or discretely presented in the financial statements of the District.

The District is associated with two organizations. One being defined as a jointly governed organization and one as an insurance purchasing pool. These organizations include the Ohio Hi-Point Career Center and the Ohio School Boards Association Worker's Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 to the general purpose financial statements.

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Measurement Focus and Basis of Accounting

The accounts of the District are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts.

Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and management requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The District has the following fund types and account groups:

Governmental Funds

Governmental Funds are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means collectible within the current period or soon thereafter to pay liabilities of the current period. The government considers all revenues to be available if they are collected within sixty days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgements which are recognized when the obligations are expected to liquidated with expendable available financial resources.

Property taxes, interest, tuition, student fees and rent are susceptible to accrual. Current property taxes measurable as of June 30, 1999, and which are intended to finance fiscal 2000 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available as well as tax advances available at June 30, 1999 but not yet taken are recognized as revenue. Other receipts become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Governmental funds include the following fund types:

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

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

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

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

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Measurement Focus and Basis of Accounting (Continued)

Proprietary Funds

Proprietary Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue. Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", the District follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board Opinions and Interpretations, Accounting Standards Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with, or contradict GASB pronouncements. Proprietary funds include the following fund types:

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

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

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Trust funds account for assets held by the District under the terms of a formal trust agreement.

Expendable Trust Fund- The Expendable Trust Fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable trust funds account for assets when both the principal and interest may be spent.

Nonexpendable Trust Funds- The Nonexpendable Trust Funds are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. Nonexpendable trust funds account for assets of which the principal may not be spent.

Agency Funds- Agency Funds are custodial in nature and do not involve results of operations or have a measurement focus. This fund is used to account for assets that the government holds for others in an agency capacity.

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Measurement Focus and Basis of Accounting (Continued)

Account Groups

General Fixed Assets Account Group This account group is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds.

General Long-Term Obligations Account Group This account group is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

C. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds within an established specific timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution; all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget- Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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

Estimated Resources- Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the 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 a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1999.

Appropriations- Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on the final assessed values and tax rates or a certificate saying that no new certificate is necessary the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenditures of the District. 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.

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgets (Continued)

Any revisions that alter the total of any fund appropriation or alter total function appropriations in a fund, or alter object appropriations must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budgetary figures which appear in the statements of budgetary comparison represent the final appropriation amounts, including all supplemental appropriations.

Encumbrances- As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting for governmental funds.

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

D. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 1999, investments were limited to STAR Ohio, repurchase agreements, and certificates of deposit.

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.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$210,371, which includes \$56,800 assigned from other school district funds.

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Investments (Continued)

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

E. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "Interfund Loans Receivable/Payable."

F. Inventory

Inventories of governmental funds are valued at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on the first-in/first-out (FIFO) method. The cost of inventoried items is recognized as an expenditure when purchased in governmental funds and an expense when used in proprietary funds. The total of inventories at year-end is reported as a reservation of fund balance in the governmental funds because it does not represent available, spendable resources.

G. Property, Plant, and Equipment; and Depreciation

1. General Fixed Assets Account Group

General fixed assets used in governmental fund types of the District are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$250 and a useful life of less than five years. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Asset Account Group.

2. Proprietary Funds

Property, plant and equipment reflected in the proprietary funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

Asset	Life (years)
Furniture, Fixtures and Equipment	5-20

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, 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 year in which they are earned and become measurable.

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Intergovernmental Revenues (Continued)

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

Entitlements

General Fund

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

Special Revenue Funds

- Education Management Information System (EMIS)

Non-Reimbursable Grants

Special Revenue Funds

- School Improvement Models
- Teacher Development
- Gifted Education
- Disadvantaged Pupil Impact Aid (DPIA)
- SchoolNet Professional Development
- Textbooks/Instructional Materials
- Miscellaneous State Grants
- Education for Economic Security
- Title VI-B
- Title I
- Title VI
- Drug Free Schools
- Preschool Grants for the Handicapped
- Miscellaneous Federal Grants

Capital Project Funds

- SchoolNet

Reimbursable Grants

General Fund

- Driver Education
- Vocational Education Travel/Salary

Capital Project Funds

- Vocational Equipment

Enterprise Funds

- National School Lunch Program
- National School Milk Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 50% of the District's operating revenues during the 1999 fiscal year.

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Long-Term Obligations

Long term debt is recognized as a liability of a government fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the General Long-Term Obligation Account Group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

J. Compensated Absences

The District has implemented the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate employees for the benefits through time off or some other means such as cash payment at termination or retirement. Severance benefits are accrued using the vesting method.

The liability for severance payments is based upon the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive severance termination payments, as well as those employees expected to become eligible in the future.

The total liability for vacation and termination payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable salary related payments. The District has recorded a liability in the General Long Term Obligation Account Group for the vesting termination benefits for all employees within 10 years of retirement.

Accumulated vacation and sick leave of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental Fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligation Account Group. In propriety funds, the entire amount of eligible compensated absences is reported as a fund liability.

K. Interfund Transactions

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Prepayments

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.

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for a reserve for budget stabilization. See Note 20 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserve.

N. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a 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 have been established for encumbrances, inventories of supplies and materials, prepaid items, debt service principal, property taxes, budget stabilization, and trust principal.

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 budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for trust principal signifies the legal restrictions on the use of principal.

O. Estimates

The preparation of the 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 could differ from those estimates.

P. Memorandum Only - Total Columns

Total columns on the General Purpose Financial Statements are captioned (Memorandum Only) to indicate that they do not represent consolidated financial information and 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. Interfund eliminations have not been made in the aggregation of this data.

3. RESTATEMENT OF PRIOR YEAR'S FUND EQUITY

The Enterprise Fund Type had previously reported depreciation expense for fixed assets which should have been fully depreciated. A restatement of the beginning accumulated depreciation is required to properly reflect the School District's beginning retained earnings.

The change was a result of errors accumulated over several years. The effect on operating income for the prior year is insignificant, however the total accumulation of errors significantly impacted the accumulated depreciation, therefore only the total accumulated retained earnings impact is presented.

The effect of these changes on the retained earnings as previously reported for the year ended June 30, 1998, for the Enterprise Fund Type is as follows.

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

3. RESTATEMENT OF PRIOR YEAR'S FUND EQUITY (Continued)

	Enterprise
Retained Earnings/Fund Balance at June 30, 1998	
as previously reported	\$22,793
Restatement	(12,500)
Restated amounts for the year ended June 30, 1998	10,473

4. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Equity

Fund balances and/or fund equity/retained earnings at June 30, 1999, included the following individual deficits:

<u>Special Revenue Funds</u>	<u>Deficit fund balance/ Retained Earnings (Cash Basis)</u>	<u>Deficit fund balance/ Retained Earnings (GAAP Basis)</u>
Management Information Systems	N/A	\$ 370
DPIA	N/A	2,855
Title VI-B	5,475	16,907
Title I	55,028	109,421
 <u>Enterprise Fund</u>		
Food Service	813	N/A

The deficits for the Management Information Systems Fund and Disadvantaged Pupil Impact Aid Fund were created by the application of generally accepted accounting principles. The General Fund provides cash to cover deficit fund balances, however, this is done when cash is needed rather than when the accruals occur. These fund balance deficits will be funded by anticipated future revenues not recognized and recorded at June 30.

B. Legal Compliance

Ohio Rev. Code Section 5705.41(B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated as provided in such chapter. The following funds had expenditures plus encumbrances in excess of appropriations at the legal (fund/function/object) level of appropriation at June 30, 1999.

**NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

4. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

B. Legal Compliance (Continued)

<u>Fund/Function/Object</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
General Fund			
Special Instruction			
Fringe Benefits	\$209,690	\$285,757	(\$76,067)
Pupil Transportation			
Salaries	202,551	208,587	(6,036)
Fringe Benefits	65,330	69,776	(4,446)
Extracurricular Activities			
Salaries	180,000	195,224	(15,224)
Fringe Benefits	25,741	28,895	(3,154)
Capital Projects			
Regular Instruction- Capital Outlay	315,008	508,002	(192,914)

5. EQUITY IN POOLED CASH 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 withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

5. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligation or security 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 the federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. 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
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse purchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

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

At fiscal year end, the School District had \$100 in undeposited cash on hand, which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$2,187,109 and the bank balance was \$2,372,177. Of the bank balance, \$348,816 covered by federal depository insurance and \$2,023,361 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance 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, which are held by the counter-party'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 counter-party, or by its trust department or agent but not in the School District's name. The School District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

5. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

<u>Investments:</u>	<u>Interest Rate</u>	<u>Category 3</u>	<u>Cost</u>	<u>Fair Value</u>
Repurchase Agreement	4.3	\$3,087,786	\$3,087,786	\$3,087,786
STAR Ohio	4.8	0	175,543	175,543
Total Investments		<u>\$3,087,786</u>	<u>\$3,263,329</u>	<u>\$3,263,329</u>

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

	<u>Pooled Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9		
Combined Balance Sheet	\$5,441,465	\$9,073
Cash	(100)	
Certificate of Deposits	9,073	(9,073)
Investments:		
Repurchase Agreement	(3,087,786)	3,087,786
STAR Ohio	(175,543)	175,543
GASB Statement No. 3	<u>\$2,187,109</u>	<u>\$3,263,329</u>

6. INTERFUND ASSETS/LIABILITIES

Interfund Receivables/Payables at June 30, 1999:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 61,316	\$ 0
Special Revenue:		
Title VI-B	0	5,475
Title I	0	55,028
Enterprise		
Food Service	0	813
Totals	<u>\$ 61,316</u>	<u>\$ 61,316</u>

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

7. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

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

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value.

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

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$158,616,320	74%	\$172,119,170	75%
Public Utility	14,041,340	7%	14,489,140	7%
Tangible Personal Property	41,705,080	19%	41,636,683	18%
Total Assessed Value	\$214,362,740	100%	\$228,244,993	100%
Tax rate per \$1,000 of assessed valuation	\$44.23		\$44.23	

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999 was \$349,176 in the General Fund, \$35,076 in the Debt Service Fund, and \$12,901 in the Capital Projects Fund.

8. RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, accounts (rent and student fees), interest, intergovernmental grants and entitlements, and interfund. 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
(Continued)

8. RECEIVABLES (Continued)

A summary of the principal items of receivables follows. For Intergovernmental Revenues only, the portion of receivables collected in the "available period" are recorded in the financial records.

	Amounts
<u>General Fund</u>	
Taxes - Current & Delinquent	\$6,517,110
Intergovernmental - State & Federal	13,351
Accounts	9,759
Accrued Interest	592
Interfund	61,316
<u>Special Revenue Funds</u>	
Intergovernmental - State & Federal	6,810
Accounts	8,402
<u>Debt Service Fund</u>	
Taxes - Current & Delinquent	1,031,342
<u>Permanent Improvement Fund</u>	
Taxes - Current & Delinquent	193,061
<u>Enterprise Funds</u>	
Intergovernmental - State & Federal	41,227
Accounts	312
<u>Internal Service Funds</u>	
Accounts	7,053
<u>Total Receivables</u>	\$7,890,335

9. PROPERTY, PLANT, AND EQUIPMENT

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

<u>Asset Category</u>	<u>Balance at 6/30/98</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/99</u>
Land and Improvements	\$588,798	\$12,390	\$0	\$601,188
Buildings and Improvements	8,383,657	0	0	8,383,657
Furniture and Equipment	4,538,417	401,521	(4,599)	4,935,339
Buses	582,170	64,023	(55,808)	590,385
Vehicles	93,021	17,695	0	110,716
Totals	\$14,186,063	\$495,629	\$(60,407)	\$14,621,285

A summary of the Proprietary Fund fixed assets at June 30, 1999 follows:

Total Property, Plant and Equipment	292,758
Less Accumulated Depreciation	(212,163)
Net Fixed Assets-Proprietary Fund	\$80,595

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

10. LONG TERM DEBT

All current obligation bonds outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligation Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund. The source of payment is derived from a current 2.70 mill bonded debt tax levy.

A. The following is a description of the District's bonds outstanding as of June 30, 1999:

Purpose	Interest Rates	Issue Date	Maturity Date	Bonds Outstanding 07/01/98	Retired In 1999	Bonds Outstanding 06/30/99
Facilities	4.87%	11/93	12/11	\$3,503,935	\$390,000	\$3,113,935

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

Year Ending June 30	Principal on General Obligation Bonds	Interest on General Obligation Bonds	Total
2000	400,000	83,390	483,390
2001	425,000	66,884	491,884
2002	440,000	49,148	489,148
2003	455,000	30,349	485,349
2004	470,000	10,340	480,340
2005-2009	659,905	1,785,095	2,445,000
2010-2012	<u>264,030</u>	<u>1,190,970</u>	<u>1,455,000</u>
Total	<u>\$ 3,113,935</u>	<u>\$ 3,216,176</u>	<u>\$ 6,330,111</u>

C. The following is a description of the District's long-term note transactions for the year ended June 30, 1999:

Purpose	Interest Rates	Issue Date	Maturity Date	Notes Outstanding 07/01/98	Retired In 1999	Notes Outstanding 06/30/99
Energy Conservation	4.90%	12/95	12/05	\$610,000	\$65,000	\$545,000

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

10. LONG-TERM DEBT (Continued)

D. The following is a summary of the District's future annual debt service requirements to maturity for House Bill 264 energy conservation notes:

<u>Year Ending June 30</u>	<u>Principal on Energy Conservation Notes</u>	<u>Interest on Energy Conservation Notes</u>	<u>Total</u>
2000	65,000	25,112	90,112
2001	70,000	21,805	91,805
2002	75,000	18,253	93,253
2003	80,000	14,455	94,455
2004	80,000	10,535	90,535
2005-2006	<u>175,000</u>	<u>8,697</u>	<u>183,697</u>
Total	<u>\$ 545,000</u>	<u>\$ 98,857</u>	<u>\$ 643,857</u>

E. The following is a summary of the District's total debt for the fiscal year ending June 30, 1999.

	<u>Principal Balance July 1, 1998</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Principal Balance June 30, 1999</u>
	Compensated Absences:			
Termination Benefits	\$1,198,679	\$ 4,242	\$ 0	\$1,202,921
Vacation	78,566	17,130	0	95,696
Intergovernmental Payable	91,263	11,698	0	102,961
General Obligation:				
Bonds	3,503,935	0	(390,000)	3,113,935
Notes	<u>610,000</u>	<u>0</u>	<u>(65,000)</u>	<u>545,000</u>
Total Long-Term Obligations	<u>\$5,482,443</u>	<u>\$33,070</u>	<u>\$(455,000)</u>	<u>\$5,060,513</u>

F. In December 1993, the District defeased a bond issue by creating an irrevocable escrow account. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the escrow account. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the District's General Long-Term Obligation Account Group. As of June 30, 1999, the amount of defeased debt outstanding but removed from the General Long-Term Obligation Account Group amounted to \$3,870,000. Assets of \$4,360,292 were held in the irrevocable escrow account.

G. The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District. The effects of these debt limitations at June 30, 1999 are a voted debt margin of \$18,073,790 (including available funds of \$645,676) and an unvoted debt margin of \$228,245.

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

11. SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two Enterprise funds to account for the operations of the Food Service and Uniform Supply Funds. Selected segment information for the year ended June 30, 1999 is as follows:

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$409,360	\$54,300	\$463,660
Expenses before Depreciation	704,187	50,804	754,991
Depreciation Expense	6,873	0	6,873
Operating Income (Loss)	(301,701)	973,496	(298,204)
Operating Grants	301,907	0	301,907
Interest	793	0	793
Net Income (Loss)	390	3,496	3,887
Property Plant and Equipment Additions	0	0	0
Net Working Capital	(9,575)	6,823	(2,752)
Total Assets	158,283	6,846	165,129
Total Liabilities	150,746	23	150,769
Total Equity	7,537	6,823	14,360

12. DEFINED BENEFIT PENSION PLANS

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary 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 required contributions to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$254,874, \$277,784, and \$372,678, respectively; 54 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$135,878 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.

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

12. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System (STRS), a cost-sharing, multiple-employer public employee retirement system. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefits are established by Chapter 3307 of the Ohio Revised code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614)227-4090.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 1999, were 9.3 percent of covered payroll for members and 14 percent for employers; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$1,194,048, \$1,107,534, and \$1,734,029, respectively; 83 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997.

\$208,252 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds.

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 chose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost coverage paid from STRS funds is included in the employer contribution rate, currently at 14 percent of covered payroll. For fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, and increase from 3.5 percent for fiscal year 1998.

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

13. POSTEMPLOYMENT BENEFITS (Continued)

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.3 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 was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$185,893.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended 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.

14. BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

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

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

14. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget Basis	\$940,890	\$101,787	\$88,649	\$(112,662)
Revenue Accruals	638	(49,706)	3,945	(11,574)
Expenditure Accruals	(194,465)	(18,323)	0	(14,021)
Encumbrances	71,195	121,058	0	240,974
GAAP Basis	<u>\$818,258</u>	<u>\$154,816</u>	<u>\$92,594</u>	<u>\$102,717</u>

15. RISK MANAGEMENT

Insurance Only Through Commercial Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

Insurance Provided Partially Through Self-Insurance Fund

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has established a Self-Insurance Fund in the Internal Service Fund Type to account for and finance its uninsured risks of loss. Under this program, the Self-Insurance Fund provides coverage for up to a maximum of \$60,000 per claim per employee. The District purchases commercial insurance for claims in excess of coverage provided by this Fund and for other risks of loss including annual aggregate stop loss coverage for annual claims paid. Settled claims have not exceeded this commercial insurance coverage in any of the past three fiscal years.

All funds of the District participate in the program and make payment to the Self-Insurance Fund based upon actuarial estimates of the amounts needed to pay prior and current-year claims. The claims liability of \$180,223 reported in the Fund at June 30, 1999 is based upon the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of financial statements and the amount of the loss can be reasonably estimated. Claims in the Fund's claims liability during Fiscal 1998 and 1999 were:

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

15. RISK MANAGEMENT (Continued)

	<u>July 1</u> <u>Liability</u>	<u>Current-Year</u> <u>Claims and Changes</u> <u>in Estimates</u>	<u>Claims</u> <u>Payable</u>	<u>June 30</u> <u>Liability</u>
1997-1998	\$ 121,895	\$ 798,473	\$ 813,730	\$ 106,638
1998-1999	\$ 106,638	\$ 1,894,707	\$ 1,821,122	\$ 180,223

OSBA Group Rating Program

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

The District continues to carry commercial insurance for all other risks of loss including liability insurance for all district employees. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

16. JOINTLY GOVERNED ORGANIZATION

Ohio Hi-Point Career Center - The Ohio Hi-Point Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Ohio Hi-Point Career Center, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311-9594.

17. INSURANCE PURCHASING POOL

Ohio School Boards Association Worker's Compensation Group Rating Plan - The District participates in the Ohio School Boards Association Worker's 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.

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

18. CONTINGENT LIABILITIES

Grants

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

Litigation

There are currently no matters in litigation with the District as defendant.

19. 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 Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the District received \$7,346,630 of school foundation support for its general fund.

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. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

20. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information if required by State statute.

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

20. SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998			\$ 80,693	\$ 80,693
Current Year Set-aside Requirement	236,329	236,329	118,165	590,823
Current Year Offsets	41,836	214,797	0	256,633
Qualifying Disbursements	194,493	21,532	0	216,025
Total	<u>0</u>	<u>0</u>	<u>198,858</u>	<u>198,858</u>
Cash Balance Carried Forward to FY 1999	<u>0</u>	<u>0</u>	<u>198,858</u>	<u>198,858</u>
Amount Restrict for Budget Stabilization				<u>198,858</u>
Total Restricted Assets				<u>198,858</u>

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying disbursements during the year, these extra amounts may not be used to reduce the set-aside requirements of future years, and are therefore not presented.

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>(Passed through Ohio Department of Education)</i>						
Nutrition Cluster:						
Food Distribution Program		10.550	\$0	\$42,522	\$0	\$39,664
National School Breakfast Program	05-PU 98 05-PU 99	10.553	6,892 32,689 <u>39,581</u>	0 0 <u>0</u>	6,892 32,689 <u>39,581</u>	0 0 <u>0</u>
National School Lunch Program	03-PU 98 03-PU 99 04-PU 98 04-PU 99	10.555	6,168 28,295 23,638 109,358 <u>167,459</u>	0 0 0 0 <u>0</u>	6,168 28,295 23,638 109,358 <u>167,459</u>	0 0 0 0 <u>0</u>
Total U.S. Department of Agriculture - Nutrition Cluster			207,040	42,522	207,040	39,664
U.S. DEPARTMENT OF EDUCATION						
<i>(Passed through Ohio Department of Education)</i>						
Title I, Part A, IASA	C1-S1 98 C1-S1 99	84.010	177,440 169,002 <u>346,442</u>	0 0 <u>0</u>	107,467 224,030 <u>331,497</u>	0 0 <u>0</u>
Total Title I						
Special Education Cluster:						
Title VI-B, Special Education Grants to States	6B-SF 97P 6B-SF 98P	84.027	84,543 86,104 <u>170,647</u>	0 0 <u>0</u>	35,453 91,579 <u>127,032</u>	0 0 <u>0</u>
Total Title VI-B						
Education Handicapped - Pre-School VI-B	PG-S1 96 PG-S1 97P	84.173	0 0 <u>0</u>	0 0 <u>0</u>	14,326 0 <u>14,326</u>	0 0 <u>0</u>
Total Title VI-B Preschool						
Total Special Education Cluster:			<u>170,647</u>	<u>0</u>	<u>141,358</u>	<u>0</u>
Title VI, Innovative Education Program Strategies	C2-S1 99 C2-S1 97 C2-S1 97C C2-S1 98	84.298	10,960 0 0 0 <u>10,960</u>	0 0 0 0 <u>0</u>	1,800 834 7,471 1,190 <u>11,295</u>	0 0 0 0 <u>0</u>
Total Title VI, Innovative Education Program						
Eisenhower Professional Development State Grants	MS-S1 97C MS-S1 99	84.281	(1,087) 0 0 12,803 <u>11,716</u>	0 0 0 0 <u>0</u>	35 4,801 284 5,879 <u>10,999</u>	0 0 0 0 <u>0</u>
Total Eisenhower Professional Development State Grants						
Drug Free Schools	DR-S1 99	84.186	15,205	0	13,087	0
Goals 2000	G2-S1 98 G2-S2 97C G2-S2 98 G2-S2 98 C G2-S2 99	84.276	48,900 (4,370) 92,698 82,302 33,750 <u>253,280</u>	0 0 0 0 0 <u>0</u>	12,243 0 126,271 28,405 8,728 <u>175,647</u>	0 0 0 0 0 <u>0</u>
Total Goals 2000 Grants						
Tech Literacy Challenge Fund	TF-S1 98 P	84.318	162,500	0	133,426	0
<i>(Passed through Franklin County ESC)</i>						
School To Work Passthrough	WK-BE 98	17.249	7,413	0	26,853	0
<i>(Direct Program)</i>						
Federal E-Rate	84.XXX		11,494	0	11,494	0
Total U.S. Department of Education			<u>989,657</u>	<u>0</u>	<u>855,656</u>	<u>0</u>
Total Federal Assistance			<u>\$1,196,697</u>	<u>\$42,522</u>	<u>\$1,062,696</u>	<u>\$39,664</u>

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 1999**

A. SIGNIFICANT ACCOUNTING POLICIES

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

B. FOOD DISTRIBUTION

Nonmonetary assistance, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the United States Department of Agriculture are commingled with state grants. It is assumed that federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.

C. FEDERAL E-RATE

The federal E-rate is paid directly to the telecommunications service provider. The school district has a matching requirement which was met by paying the portion of the invoice from the service provider not paid by the federal government. Amounts for the E-rate are budgeted and appropriated.



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

Bellefontaine City School District
Logan County
820 Ludlow Road
Bellefontaine, Ohio 43311

To the Board of Education:

We have audited the financial statements of the Bellefontaine City School District (the District), Logan County, as of and for the year ended June 30, 1999, and have issued our report thereon dated March 7, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-10246-001.

We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated March 7, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated March 7, 2000.

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

JIM PETRO
Auditor of State

March 7, 2000.



**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**

Bellefontaine City School District
Logan County
820 Ludlow Road
Bellefontaine, Ohio 43311

To the Board of Education:

Compliance

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

We conducted our audit of compliance in accordance with 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

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

Internal Control Over Compliance

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

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

This report is intended for the information and use of the finance committee, management, Board of Education, and the 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

March 7, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (list):</i>	Title I CFDA # 84.010
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A\B Programs</i>	Type A:> \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

Finding Number	1999-10246-001
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Finding Repaid During Audit

Ohio Rev. Code Section 3315.07(C)(1) specifically prohibits a board of education from using public funds to support or oppose the passage of a school levy or bond issue. Revenues from a Pepsi-Cola contract are public school funds. The School District Administration allocated a six thousand dollar (\$6,000.00) portion of the contracted sponsored donation to the Bellefontaine City Schools Levy Committee to support the promotion of passing a levy.

On March 6, 2000, the Bellefontaine City School Levy Committee repaid this money as evidenced by a validated bank deposit slip.

The District should review all expenditures to assure they are for proper public purposes.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> Valid; <i>Explain:</i>
1998-10246-001	Ohio Rev. Code 5704.41 (B) Expenditures plus encumbrances were in excess of appropriations	No	Partially Corrected, Repeated in Management Letter.



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BELLEFONTAINE CITY SCHOOL DISTRICT

LOGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 11, 2000**