



**COLUMBUS GROVE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**REGULAR AUDIT**

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



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

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

Columbus Grove Local School District  
Putnam County  
201 West Cross Street  
Columbus Grove, Ohio 45830-1299

To the Board of Education:

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

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

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

As described in note 3 to the general-purpose financial statements, during fiscal year 1999 the District changed its method of accounting for deferred compensation programs.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 1999, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

**Jim Petro**  
Auditor of State

December 29, 1999

**Columbus Grove Local School District**



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

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
<b>ASSETS AND OTHER DEBITS</b>									
<b>ASSETS:</b>									
Equity in pooled cash and cash equivalents . . . . .	\$587,041	\$214,859	\$340,705	\$58,936	\$45,796	\$29,891			\$1,277,228
Cash with fiscal agent. . . . .		6,845							6,845
Receivables:									
Property taxes - current & delinquent . . .	1,421,151		237,457	45,471					1,704,079
Accounts. . . . .	7,039	585			144				7,768
Accrued interest . . . . .	2,068	22			65				2,155
Interfund loan receivable . . . . .	113,182								113,182
Due from other governments . . . . .	300	1,338		18,932					20,570
Prepayments . . . . .	12,437								12,437
Materials and supplies inventory . . . . .					5,845				5,845
Restricted assets:									
Equity in pooled cash and cash equivalents . . . . .	61,113								61,113
Property, plant and equipment (net of accumulated depreciation where applicable). . . . .					80,735		\$8,091,762		8,172,497
<b>OTHER DEBITS:</b>									
Amount available in Debt Service Fund . .								\$356,952	356,952
Amount to be provided for retirement of General Long-Term Obligations . . . . .								1,342,029	1,342,029
<b>Total assets and other debits. . . . .</b>	<b>\$2,204,331</b>	<b>\$223,649</b>	<b>\$578,162</b>	<b>\$123,339</b>	<b>\$132,585</b>	<b>\$29,891</b>	<b>\$8,091,762</b>	<b>\$1,698,981</b>	<b>\$13,082,700</b>

THE NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

--Continued

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

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>									
<b>LIABILITIES:</b>									
Accounts payable . . . . .	\$4,762	\$3,887			\$2,917				\$11,566
Accrued wages and benefits . . . . .	411,085	15,083			10,919				437,087
Compensated absences payable . . . . .	4,434				3,570			\$182,451	190,455
Pension obligation payable . . . . .	67,094	2,414			8,477			41,530	119,515
Interfund loan payable . . . . .		79,250		\$18,932	15,000				113,182
Deferred revenue . . . . .	1,111,141		\$221,210	42,420	2,857				1,377,628
Due to other governments . . . . .						\$180			180
Due to students . . . . .						24,020			24,020
Undistributed monies . . . . .						691			691
General obligation bonds payable . . . . .								1,475,000	1,475,000
<b>Total liabilities . . . . .</b>	<b>1,598,516</b>	<b>100,634</b>	<b>221,210</b>	<b>61,352</b>	<b>43,740</b>	<b>24,891</b>		<b>1,698,981</b>	<b>3,749,324</b>
<b>EQUITY AND OTHER CREDITS:</b>									
Investment in general fixed assets . . . . .							\$8,091,762		8,091,762
Retained earnings: unreserved . . . . .					88,845				88,845
<b>Fund balances:</b>									
Reserved for encumbrances . . . . .	67,615	8,930							76,545
Reserved for prepayments . . . . .	12,437								12,437
Reserved for debt service . . . . .			340,705						340,705
Reserved for tax revenue unavailable for appropriation . . . . .	79,951		16,247	3,051					99,249
Reserved for instructional materials . . . . .	4,023								4,023
Reserved for capital improvements . . . . .	7,076								7,076
Reserved for budget stabilization . . . . .	50,014								50,014
Unreserved-undesignated . . . . .	384,699	114,085		58,936		5,000			562,720
<b>Total equity and other credits . . . . .</b>	<b>605,815</b>	<b>123,015</b>	<b>356,952</b>	<b>61,987</b>	<b>88,845</b>	<b>5,000</b>	<b>8,091,762</b>		<b>9,333,376</b>
<b>Total liabilities, equity and other credits . . . . .</b>	<b>\$2,204,331</b>	<b>\$223,649</b>	<b>\$578,162</b>	<b>\$123,339</b>	<b>\$132,585</b>	<b>\$29,891</b>	<b>\$8,091,762</b>	<b>\$1,698,981</b>	<b>\$13,082,700</b>

THE NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT



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				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
From local sources:						
Taxes . . . . .	\$1,617,438		\$227,122	\$40,691		\$1,885,251
Earnings on investments. . . . .	75,526	\$1,159				76,685
Other local revenues. . . . .	99,201	171,367				270,568
Other revenue. . . . .	1,646	350			\$5,000	6,996
Intergovernmental - State. . . . .	2,605,163	133,506	28,080	91,774		2,858,523
Intergovernmental - Federal . . . . .		110,343				110,343
<b>Total revenue . . . . .</b>	<b>4,398,974</b>	<b>416,725</b>	<b>255,202</b>	<b>132,465</b>	<b>5,000</b>	<b>5,208,366</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular . . . . .	2,069,938	33,505		126,858		2,230,301
Special. . . . .	222,088	71,103				293,191
Vocational. . . . .	93,245					93,245
Other. . . . .		1,237				1,237
Support services:						
Pupil . . . . .	117,966	47,345				165,311
Instructional staff . . . . .	71,114	49,772				120,886
Board of Education . . . . .	13,734					13,734
Administration . . . . .	552,666	893		57		553,616
Fiscal . . . . .	157,982	1,155	5,816	1,035		165,988
Operations and maintenance . . . . .	340,840					340,840
Pupil transportation. . . . .	201,131					201,131
Central . . . . .	20,361	6,599				26,960
Community services . . . . .		80,895				80,895
Extracurricular activities. . . . .	140,884	88,035				228,919
Facilities services . . . . .	27,087	13,019		467,478		507,584
Debt service:						
Principal retirement . . . . .			125,000			125,000
Interest and fiscal charges . . . . .			99,938			99,938
<b>Total expenditures . . . . .</b>	<b>4,029,036</b>	<b>393,558</b>	<b>230,754</b>	<b>595,428</b>		<b>5,248,776</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	369,938	23,167	24,448	(462,963)	5,000	(40,410)
Fund balance, July 1 . . . . .	235,877	99,848	332,504	524,950	0	1,193,179
Fund balance, June 30 . . . . .	\$605,815	\$123,015	\$356,952	\$61,987	\$5,000	\$1,152,769

THE NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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

	General Fund			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>															
From local sources:															
Taxes.....	\$1,571,667	\$1,571,667	\$0				\$223,477	\$223,477	\$0	\$39,795	\$39,795	\$0	\$1,834,939	\$1,834,939	\$0
Earnings on investments.....	75,516	75,516	0	\$1,138	\$1,138	\$0							76,654	76,654	0
Other local revenues.....	91,692	91,692	0	170,763	170,763	0							262,455	262,455	0
Other revenue.....	1,646	1,646	0	350	350	0							1,996	1,996	0
Intergovernmental - State.....	2,605,313	2,605,313	0	133,505	133,505	0	28,080	28,080	0	535,495	535,495	0	3,302,393	3,302,393	0
Intergovernmental - Federal.....				66,828	66,828	0							66,828	66,828	0
Total revenues.....	4,345,834	4,345,834	0	372,584	372,584	0	251,557	251,557	0	575,290	575,290	0	5,545,265	5,545,265	0
<b>Expenditures:</b>															
Current:															
Instruction:															
Regular.....	2,156,152	2,156,152	0	36,551	36,551	0				126,858	126,858	0	2,319,561	2,319,561	0
Special.....	221,807	221,807	0	59,519	59,519	0							281,326	281,326	0
Vocational.....	92,997	92,997	0										92,997	92,997	0
Support services:															
Pupil.....	121,336	121,336	0	38,580	38,580	0							159,916	159,916	0
Instructional staff.....	85,402	85,402	0	24,708	24,708	0							110,110	110,110	0
Board of Education.....	13,416	13,416	0										13,416	13,416	0
Administration.....	556,084	556,084	0	1,039	1,039	0				57	57	0	557,180	557,180	0
Fiscal.....	159,135	159,135	0	1,153	1,153	0	5,816	5,816	0	1,035	1,035	0	167,139	167,139	0
Operations and maintenance.....	343,675	343,675	0										343,675	343,675	0
Pupil transportation.....	211,960	211,960	0										211,960	211,960	0
Central.....	23,429	23,429	0	6,587	6,587	0							30,016	30,016	0
Community services.....				86,537	86,537	0							86,537	86,537	0
Extracurricular activities.....	146,264	146,264	0	93,439	93,439	0							239,703	239,703	0
Facilities services.....	36,512	36,512	0	13,019	13,019	0				489,956	489,956	0	539,487	539,487	0
Debt service:															
Principal retirement.....							125,000	125,000	0				125,000	125,000	0
Interest and fiscal charges.....							99,938	99,938	0				99,938	99,938	0
Total expenditures.....	4,168,169	4,168,169	0	361,132	361,132	0	230,754	230,754	0	617,906	617,906	0	5,377,961	5,377,961	0
Excess (deficiency) of revenues over (under) expenditures.....	177,665	177,665	0	11,452	11,452	0	20,803	20,803	0	(42,616)	(42,616)	0	167,304	167,304	0
Other financing sources (uses):															
Refund of prior year's expenditures.....	761	761	0	19	19	0							780	780	0
Operating transfers in.....				4,769	4,769	0							4,769	4,769	0
Operating transfers (out).....				(4,769)	(4,769)	0							(4,769)	(4,769)	0
Advances in.....	13,000	13,000	0	79,250	79,250	0				18,932	18,932	0	111,182	111,182	0
Advances (out).....	(125,182)	(125,182)	0							(1,000)	(1,000)	0	(126,182)	(126,182)	0
Total other financing sources (uses).....	(111,421)	(111,421)	0	79,269	79,269	0				17,932	17,932	0	(14,220)	(14,220)	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	66,244	66,244	0	90,721	90,721	0	20,803	20,803	0	(24,684)	(24,684)	0	153,084	153,084	0
Fund balance, July 1.....	349,630	349,630	0	67,127	67,127	0	319,902	319,902	0	37,762	37,762	0	774,421	774,421	0
Prior year encumbrances appropriated.....	159,903	159,903	0	47,873	47,873	0	0	0	0	45,858	45,858	0	253,634	253,634	0
Fund balance, June 30.....	\$575,777	\$575,777	\$0	\$205,721	\$205,721	\$0	\$340,705	\$340,705	\$0	\$58,936	\$58,936	\$0	\$1,181,139	\$1,181,139	\$0

THE NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 1999

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Tuition and fees . . . . .	\$24,837
Sales/charges for services. . . . .	158,175
Total operating revenues. . . . .	183,012
Operating expenses:	
Personal services . . . . .	92,711
Contract services . . . . .	7,067
Materials and supplies . . . . .	142,841
Depreciation . . . . .	4,347
Total operating expenses . . . . .	246,966
Operating loss. . . . .	(63,954)
Nonoperating revenues:	
Operating grants. . . . .	27,830
Federal commodities . . . . .	15,669
Interest revenue . . . . .	771
Total nonoperating revenues . . . . .	44,270
Net loss . . . . .	(19,684)
Retained earnings July 1. . . . .	108,529
Retained earnings June 30. . . . .	\$88,845

THE NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPE  
 FOR THE YEAR ENDED JUNE 30, 1999

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees . . . . .	\$24,717
Cash received from sales/service charges . . . . .	158,151
Cash payments for personal services . . . . .	(92,228)
Cash payments for contract services . . . . .	(7,067)
Cash payments supplies and materials . . . . .	(125,973)
Net cash used in operating activities . . . . .	(42,400)
Cash flows from noncapital financing activities:	
Cash received from operating grants . . . . .	27,830
Cash received from interfund loans . . . . .	27,000
Cash payments used in repayment of interfund loans . . . . .	(12,000)
Net cash provided by noncapital financing activities . . . . .	42,830
Cash flows from investing activities:	
Interest received . . . . .	706
Net cash provided by investing activities . . . . .	706
Net increase in cash and cash equivalents . . . . .	1,136
Cash and cash equivalents at beginning of year . . . . .	44,660
Cash and cash equivalents at end of year . . . . .	\$45,796
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss . . . . .	(\$63,954)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation . . . . .	4,347
Federal donated commodities . . . . .	15,669
Changes in assets and liabilities:	
Decrease in supplies inventory . . . . .	3,733
Increase in accounts receivable . . . . .	(144)
Decrease in accounts payable . . . . .	(973)
Increase in accrued wages & benefits . . . . .	1,022
Decrease in compensated absences payable . . . . .	(1,139)
Increase in pension obligation payable . . . . .	600
Decrease in deferred revenue . . . . .	(1,561)
Net cash used in operating activities . . . . .	(\$42,400)

THE NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Columbus Grove Local School District (the "District") is located in Northwestern Ohio and encompasses all of the Village of Columbus Grove, and portions of surrounding townships. The majority of the District is in Putnam County, but a small part is located in Allen County.

The District was organized in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District currently operates 1 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 31 non-certified and 61 certified (including administrative) full-time and part-time employees to provide services to approximately 865 students in grades K through 12 and various community groups.

**NOTE 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'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, effective for financial statements for periods beginning after December 15, 1992. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organization is described due to its relationship to the District.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Jointly Governed Organization:*

Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Putnam, Paulding, Putnam, and Van Wert counties, and the cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent school district. The School District paid NOACSC \$6,776 for services provided during the year. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

The District is also a participant in two insurance group purchasing pools, discussed in Note 11.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**B. Fund Accounting**

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

**GOVERNMENTAL FUNDS**

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The following are the District's Governmental 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.

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.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

**PROPRIETARY FUNDS**

Proprietary Funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's Proprietary Fund Types.

Enterprise Funds - 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.

**FIDUCIARY FUNDS**

Trust and Agency Funds - These funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Expendable Trust and Agency Funds. Agency Funds are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other fund types, would be subject to accrual.



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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*ACCOUNT GROUPS*

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

*General Fixed Assets Account Group* - This group of accounts 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 group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the Proprietary Funds.

**C. Measurement Focus/Basis of Accounting**

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

All Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The modified accrual basis of accounting is followed for Governmental funds and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). 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 (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1999, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**D. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 1999 is as follows.

1. 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.
2. By no later than January 20, the Board-adopted budget is filed with the Putnam County Budget Commission for tax rate determination.
3. 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 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.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations 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.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 1999 in the following amounts:

	Increase	Decrease
General Fund	\$378,163	
Special Revenue Funds	127,899	
Debt Service Fund		\$(1,185)
Capital Projects Funds	75,106	
Enterprise Funds	51,438	
Agency Funds	18,145	_____
Total	<u>\$650,751</u>	<u>\$(1,185)</u>

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reservation of fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary basis and GAAP basis of accounting. Encumbrances for Enterprise funds are reported in Note 12.

**E. 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" (both unrestricted and restricted) on the combined balance sheet.

During 1999, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio).

Investments in STAR Ohio are reported at fair value. Fair value is based on quoted market prices.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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.

Under existing Ohio statutes all investment earnings are assigned to the General Fund except for those specifically related to the Auxiliary Services fund and the Food Service fund, in accordance with Board policy. Interest revenue credited to the General fund during fiscal 1999 totaled \$75,526, which included \$38,684 assigned from other funds of the District.

An analysis of the Treasurer's investment account at year end is provided in Note 4.

**F. Inventory**

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

**G. Prepaids**

Prepayments for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayment and deferrals are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**H. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. 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 \$100 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 Assets Account Group.

2. Proprietary Funds

Equipment reflected in these 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:

<u>Asset</u>	<u>Life (years)</u>
Buildings	25-50
Furniture, Fixtures and Minor Equipment	5-20
Vehicles	4-6

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**I. Intergovernmental Revenues**

In Governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary fund operations are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program  
State Property Tax Relief

Debt Service Fund

State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Teacher Development  
Management Information Systems  
EHA Preschool Grant  
Auxiliary Service  
Education for Economic Security  
Title VI-B  
Title I  
Title VI  
Drug-Free Schools  
Instructional Materials Subsidy



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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Non-Reimbursable Grants - (continued)

Capital Project Funds

School Net  
Technology Equity  
Emergency Building Repairs

Reimbursable Grants

General Fund

School Bus Purchases  
Driver Education  
Vocational Educational Equipment

Proprietary

National School Lunch Program  
National School Milk Program

Grants and entitlements amounted to over 55% of the District's operating revenue during the 1999 fiscal year.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board (GASB), Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service; or twenty (20) years' service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave 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 additional salary related payments.

Accumulated vacation and severance 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 Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

**K. Long-Term Obligations**

Long-term debt is recognized as a liability of a Governmental 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 Governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Long-term liabilities expected to be financed from Proprietary fund operations are accounted for in those funds.

**L. Fund Equity**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, debt service, prepaids, tax revenue unavailable for appropriation, budget stabilization, capital improvements and instructional materials. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

**M. Short-Term Interfund Receivables/Payables**

At June 30, 1999 the District had short-term interfund loans which are classified as "interfund loans receivable/payable". All such short-term interfund loans are made pursuant to Board resolution and are repaid in the following fiscal year. An analysis of interfund balances is reflected in Note 5.

**L. Interfund Transactions**

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 1999 is presented in Note 5.

**O. Statutory Reserves**

The District is required by state law to set aside certain (cash-basis) general fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Balance, 7/1/98	\$ 0	\$ 0	\$14,794	\$ 14,794
Required Set-Aside	70,000	70,000	35,220	175,220
Offset Credits	(12,504)	(36,000)	0	(48,504)
Qualifying Expenditures	<u>(53,473)</u>	<u>(26,924)</u>	<u>0</u>	<u>(80,397)</u>
Balance 6/30/99	<u>\$ 4,023</u>	<u>\$ 7,076</u>	<u>\$50,014</u>	<u>\$ 61,113</u>

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**P. Statement of Cash Flows**

In September 1989, the Governmental Accounting Standards Board (GASB) issued Statement No. 9, Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented (Exhibit 5) a statement of cash flows for its Enterprise funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

**Q. Financial Reporting for Proprietary and Similar Fund Types**

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**R. Restricted Assets**

Restricted assets in the General fund represent cash and cash equivalents set aside to establish set-aside reserves. These reserves are required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction.

**S. Estimates**

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**T. Memorandum Only - Total Columns**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principle**

In 1999, the District implemented GASB Statement No. 32, Accounting and Financial Reporting For Internal Revenue Code Section 457 Deferred Compensation Plans. Recent changes in the Internal Revenue Code require that deferred compensation plan assets be placed in trust for the exclusive benefit of employees and their beneficiaries by no later than January 1, 1999. Statement 32 provides that, upon the transfer of deferred compensation assets to such a trust, the employer is no longer considered the owner of the amounts deferred by employees under the deferred compensation plan. During 1999, the Ohio Public Employees Deferred Compensation Plan placed assets in trusts to comply with the above requirements, and accordingly, plan assets which totaled \$2,689 as of June 30, 1999 have been excluded from the District's financial statements.

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balance/Retained Earnings**

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

	<u>Deficit Fund Balance/Retained Earnings</u>
<u>Special Revenue Funds</u>	
Management Information Systems	\$( 8)
Disadvantaged Pupil Impact Aid	( 22)
<u>Enterprise Fund</u>	
Uniform School Supplies	(6,878)

These funds complied with Ohio statute, which does not permit a cash basis deficit at year end. These GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

**NOTE 4 - 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 withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits 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.

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

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

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 accounts, including passbook accounts.

Protection of the 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 moneys deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;



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

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

*Cash with Fiscal Agent:* At year end, \$6,845 was on deposit with the District's fiscal agent for pass-through grants and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

*Cash on Hand:* At year end, the District had \$500 in undeposited cash on hand which is included on the Balance Sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents".

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

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

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

*Deposits:* At year-end the carrying amount of the District's deposits was \$152,116 and the bank balance was \$211,584. Of the bank balance:

1. \$100,000 was covered by federal deposit insurance.
2. \$111,584 was covered by securities held by the financial institution or its trust department in the District's name.

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

	Fair Value
Not Subject to Categorization:	
Investment in State	
Treasurer's Investment Pool	<u>\$1,192,570</u>
Total Investments	<u><u>\$1,192,570</u></u>

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

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

The classification of cash and cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, entitled, Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

A reconciliation between the classifications of cash and cash equivalents and investments per GASB Statement No. 9 on the combined balance sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 1,338,341	
Investments of the Cash Management Pool:		
State Treasurer's Investment Pool	(1,192,570)	\$1,192,570
Cash on Hand	(500)	
Cash with Fiscal Agent	<u>6,845</u>	<u>                    </u>
GASB Statement No. 3	<u>\$ 152,116</u>	<u>\$1,192,570</u>

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

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund balances at June 30, 1999, consist of the following individual interfund loans receivable and/or payable:

	<u>Interfund Loans Receivable</u>	<u>Interfund Loans (Payable)</u>
<u>General Fund</u>	\$113,182	
<u>Special Revenue Fund</u>		
Miscellaneous State Grants		\$ (79,250)
<u>Capital Projects Fund</u>		
Emergency Building Repair		(18,932)
<u>Enterprise Fund</u>		
Uniform School Supplies	_____	<u>(15,000)</u>
Total All Fund Types	<u>\$113,182</u>	<u>\$(113,182)</u>

**NOTE 6 - 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 November 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 of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

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

**NOTE 6 - PROPERTY TAXES - (Continued)**

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 value upon which the 1998 taxes were collected was \$48,451,310. Agricultural/Residential and public utility real estate represented 84.55% or \$40,965,740 of this total; Commercial & Industrial real estate represented 4.22% or \$2,045,290; public utility tangible 8.08% or \$3,912,500 and general tangible property 3.15% or \$1,527,780. The voted general tax rate for operations at the fiscal year ended June 30, 1999 was \$23.65 per \$1,000.00 of assessed valuation; the voted rate for debt service was \$4.40 per \$1000.00 of assessed valuation.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

The County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion 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.

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

**NOTE 7 - SCHOOL DISTRICT INCOME TAX**

The School District levies a voted tax of .75% for general operations on the income of residents and of estates. The tax was effective January 1, 1996, for a period of five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund and totaled \$757,972 for fiscal 1999.

**NOTE 8- RECEIVABLES**

Receivables at June 30, 1999 consisted of taxes, accounts (rent and student fees) and interfund transactions. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current and Delinquent	\$1,421,151
Account Receivable	7,039
<u>Special Revenue Fund</u>	
Due from Other Governments	1,338
<u>Debt Service Fund</u>	
Taxes - Current and Delinquent	237,475
<u>Capital Projects Funds</u>	
Taxes - Current and Delinquent	45,471
Due from Other Governments	18,932

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

**NOTE 9 - FIXED ASSETS**

The following changes occurred in the General Fixed Assets Account Group during the year:

	Balance <u>July 1, 1998</u>	<u>Increases</u>	<u>Decrease</u>	Balance <u>June 30, 1999</u>
Land	\$ 23,369	\$ 5,800		\$ 29,169
Buildings and Improvements	5,127,910	437,816		5,565,726
Furniture and Equipment	1,662,376	231,169	\$(2,229)	1,891,316
Vehicles	596,071	55,410	(58,949)	592,532
Construction in Progress		<u>13,019</u>		<u>13,019</u>
Total	<u>\$7,409,726</u>	<u>\$743,214</u>	<u>\$(61,178)</u>	<u>\$8,091,762</u>

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

Furniture and Equipment	\$116,327
Less: Accumulated Depreciation	<u>(35,592)</u>
Net Fixed Assets	<u>\$ 80,735</u>

**NOTE 10 - LONG-TERM DEBT**

All current general 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 Obligations Account Group. Payments of principal and interest relating to these bonds are recorded as expenditures in the Debt Service fund. The source of payment is derived from a current 4.40 mill bonded debt tax levy.

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

**NOTE 10 - LONG-TERM DEBT - (Continued)**

A. The following is a description of the Columbus Grove Local School District bond outstanding as of June 30, 1999:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance 07/01/98</u>	<u>(Retired) In Fiscal 1999</u>	<u>Balance 06/30/99</u>
Construction and Improvement Bond	6.50%	02/01/87	12/01/10	<u>\$2,850,000</u>	<u>\$1,600,000</u>	<u>\$(125,000)</u>	<u>\$1,475,000</u>
				<u>\$2,850,000</u>	<u>\$1,600,000</u>	<u>\$(125,000)</u>	<u>\$1,475,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 125,000	\$ 91,813	\$ 216,813
2001	125,000	83,688	208,688
2002	125,000	75,563	200,563
2003	125,000	67,438	192,438
2004	125,000	59,313	184,313
2005 - 2009	610,000	176,151	786,151
2010 - 2011	<u>240,000</u>	<u>15,600</u>	<u>255,600</u>
Total	<u>\$1,475,000</u>	<u>\$569,566</u>	<u>\$2,044,566</u>



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

**NOTE 10 - LONG-TERM DEBT - (Continued)**

C. During the year ended June 30, 1999, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligation will be paid from the fund from which the employee is paid.

	<u>Balance</u> <u>July 1, 1998</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 1999</u>
Compensated Absences	\$ 194,865	\$25,207	\$ (37,621)	\$ 182,451
General Obligation Bonds	1,600,000		(125,000)	1,475,000
Pension Obligation Payable	<u>35,680</u>	<u>41,530</u>	<u>(35,680)</u>	<u>41,530</u>
Total	<u>\$1,830,545</u>	<u>\$66,737</u>	<u>\$(198,301)</u>	<u>\$1,698,981</u>

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of a school 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 district. The effects of these debt limitations for the District at June 30, 1999 are a voted debt margin of \$3,242,570 (including available funds of \$356,952) and an unvoted debt margin of \$48,451.

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

**NOTE 11 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft, or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District is contracted with Nationwide Insurance Company for general liability. The School District contracted with Indiana Insurance Company for property insurance, fleet insurance and liability insurance.

Coverages provided by the insurance companies are as follows:

	<u>Deductible</u>	<u>Coverage</u>
Building and Contents - Replacement Cost	\$ 500	\$13,510,603
Inland Marine Coverage	\$ 50	\$ 142,075
Automobile Liability	\$ 550	\$ 1,000,000
General Liability:		
Per Occurrence	\$ 0	\$ 1,000,000
Total Per Year	\$ 0	\$ 5,000,000

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The District joined together with school districts and other entities to form the Putnam County Schools Insurance Group (PCSIG), a public entity risk pool currently operating as a common risk management and insurance program for 11 member entities. The District pays its monthly premiums to the PCSIG and their designated insurance company. The PCSIG is responsible for the operation and maintenance of the program. If the premiums are insufficient to pay the program costs for the fiscal year, the PCSIG may assess additional charges to all participants. The insurance group is governed by an advisory committee consisting of each member's superintendent or designee and a teacher from each participating school district. The District paid \$903 to PCSIG for services provided during fiscal 1999. Financial information can be obtained from Kathleen Schmitz, who serves as treasurer, at P.O. Box 190, Ottawa, Ohio 45875.

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

**NOTE 11 - RISK MANAGEMENT - (Continued)**

The PCSIG provides employee health care benefits to all participants under a contingent premium policy. Under the policy, the provider pays claims up to 90 percent of the fully insured rate and the PCSIG reimburses the provider for claims up to 105 percent of the fully insured rate. Any claims in excess of the 105 percent are covered under a stop loss policy.

The District participates in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement. The GRP's business and affairs are conducted by a twenty-five member Board of Directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The Treasurer of Findlay City Schools 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 GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

**NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains two Enterprise funds to account for the operations of Food Service and Uniform School Supplies. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 1999.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating Revenue	\$158,175	\$ 24,837	\$183,012
Depreciation	4,347		4,347
Operating (Loss)	(50,088)	(13,866)	(63,954)
Operating Grants	27,830		27,830
Net (Loss)	(5,818)	(13,866)	(19,684)
Net Working Capital	18,558	(6,878)	11,680
Total Assets	121,546	11,039	132,585
Long-Term Liabilities			
Payable from Fund Revenues	3,570		3,570
Total Fund Equity	95,723	(6,878)	88,845
Encumbrances at June 30, 1999		6,675	6,675

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

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. SCHOOL EMPLOYEES RETIREMENT SYSTEM**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 1999; 7.7 percent was the portion to fund pension obligations for fiscal year 1999. For fiscal year 1998, 9.02 percent was the portion used to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$43,199, \$44,190, and \$108,457, respectively; 36 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$27,570, which represents 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 GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**B. STATE TEACHERS RETIREMENT SYSTEM**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion to fund pension obligations for fiscal year 1999. For fiscal year 1998, 10.5 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$232,456, \$224,492, and \$457,958, respectively; 82 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$42,567, which represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

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

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1999 the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the District, this amount equaled \$84,960 during the 1999 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998. As of July 1, 1998, eligible benefit recipients totaled 91,999. For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000.

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

For this fiscal year, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent from fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$46,444 during the 1999 fiscal year.

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

**NOTE 15 - 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 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).



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

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

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

	Governmental Fund Types			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
Budget Basis	\$ 66,244	\$ 90,721	\$20,803	\$(24,684)
Net Adjustment for Revenue Accruals	53,140	44,141	3,645	(442,825)
Net Adjustment for Expenditure Accruals	66,756	(41,554)		22,478
Net Adjustment for Other Financing Sources/(Uses)	111,421	(79,269)		(17,932)
Net Adjustment for Fund Reclassification		(10)		
Adjustment for Encumbrances	<u>72,377</u>	<u>9,138</u>	_____	_____
GAAP Basis	<u>\$ 369,938</u>	<u>\$ 23,167</u>	<u>\$24,448</u>	<u>\$(462,963)</u>

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

**NOTE 16 - CONTINGENCIES**

**A. 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 District at June 30, 1999.

**B. Litigation**

The District is party to legal proceedings. The District management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the District.

**C. School Funding Decision**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$2,468,822 of school foundation support in total (all funds) support.

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

**NOTE 16 - CONTINGENCIES - (Continued)**

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of December 29, 1999, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

**NOTE 17 - YEAR 2000 ISSUE**

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

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS).

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, the State of Ohio Uniform School Payroll System software for its payroll and employee benefits and the State of Ohio Equipment Inventory System for its fixed assets accounting. The State is responsible for remediating these systems. The District has been assured by the State of Ohio that all software programs currently used by the District will be Year 2000 ready by December 31, 1999.

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

**NOTE 17 - YEAR 2000 ISSUE - (Continued)**

The State of Ohio distributes a substantial sum of money to the District in the form of basic state aid "school foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be Year 2000 ready.

**NOTE 18 - SIGNIFICANT SUBSEQUENT EVENTS**

The District has passed a new labor contract for both certified and non-certified employees effective July 1, 1999. The District estimates the financial impact of increased wages and benefits to approximate \$151,866 during fiscal 2000.



STATE OF OHIO  
OFFICE OF THE AUDITOR

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

Columbus Grove Local School District  
Putnam County  
201 West Cross Street  
Columbus Grove, Ohio 45830-1299

To the Board of Education:

We have audited the financial statements of the Columbus Grove Local School District, Putnam County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 29, 1999, in which we disclosed that the District has changed its method of accounting for deferred compensation programs. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the District in a separate letter dated December 29, 1999.

**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.

Columbus Grove Local School District  
Putnam County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

**Jim Petro**  
Auditor of State

December 29, 1999



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
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**COLUMBUS GROVE LOCAL SCHOOL DISTRICT**

**PUTNAM 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  
JANUARY 18, 2000**