



**CORY RAWSON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Cory Rawson Local School District
Hancock County
3930 County Road 26
Rawson, Ohio 45881-9609

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Cory Rawson Local School District, Hancock County, Ohio, (the District) as of and for the year ended and June 30, 1998, 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 Cory Rawson Local School District, Hancock County, Ohio, as of June 30, 1998, 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 1998 the District changed its method of accounting for investments.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

January 18, 2000

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**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 1998**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 207,328	\$ 62,430	\$ 85,898	\$ 59,864
Cash and Cash Equivalents with Fiscal Agents		7,477	27,016	
Receivables:				
Property Taxes	1,291,204		101,746	29,414
Income Taxes	179,212			
Accounts	1,511	2,079		5,582
Intergovernmental	1,446			
Interfund Receivable	3,577			
Prepaid Items	40,965	170		
Inventory Held for Resale				
Materials and Supplies Inventory	7,950			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	16,323			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Debt				
Amount to be Provided from General Government Resources				
Total Assets and Other Debits	\$ 1,749,516	\$ 72,156	\$ 214,660	\$ 94,860
LIABILITIES, FUND EQUITY AND OTHER CREDITS:				
Liabilities:				
Accounts Payable	\$ 14,202	\$ 4,328	\$ 0	\$ 4,526
Contracts Payable	538			
Accrued Wages and Benefits	456,660	10,893		
Compensated Absences Payable	5,933			
Intergovernmental Payable	75,061			
Interfund Payable		3,465		
Deferred Revenue	1,240,296		97,668	28,400
Undistributed Assets				
Due to Students				
Matured Bonds Payable			20,000	
Matured Interest Payable			7,016	
Notes Payable	31,986			
Permanent Improvement Loan Payable				41,500
General Obligation Bonds Payable				
Total Liabilities	<u>1,825,306</u>	<u>18,686</u>	<u>124,684</u>	<u>74,426</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings				
Fund Balance:				
Reserved for Property Taxes	50,908		4,078	1,014
Reserved for Inventory	7,950			
Reserved for Budget Stabilization	16,323			
Reserved for Encumbrances	5,843	1,978		176
Unreserved, Undesignated	(156,814)	51,492	85,898	19,244
Total Fund Equity and Other Credits	<u>(75,790)</u>	<u>53,470</u>	<u>89,976</u>	<u>20,434</u>
Total Liabilities, Fund Equity and Other Credits	\$ 1,749,516	\$ 72,156	\$ 214,660	\$ 94,860

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

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$ 21,683	\$ 29,051	\$ 0	\$ 0	\$ 466,254 34,493
				1,422,364
				179,212
5				9,177
5,444				6,890
				3,577
1,402				42,537
7,208				7,208
865				8,815
				16,323
6,265		5,444,820		5,451,085
			89,976	89,976
			603,036	603,036
\$ 42,872	\$ 29,051	\$ 5,444,820	\$ 693,012	\$ 8,340,947
\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,056
				538
20,876				488,429
11,962			363,614	381,509
14,961			39,398	129,420
	112			3,577
5,202				1,371,566
	6,544			6,544
	22,395			22,395
				20,000
				7,646
				31,986
				41,500
			290,000	290,000
53,001	29,051	0	693,012	2,818,166
		5,444,820		5,444,820
62,336				62,336
(72,465)				(72,465)
				56,000
				7,950
				16,323
				7,997
				(180)
(10,129)	0	5,444,820	0	5,522,781
\$ 42,872	\$ 29,051	\$ 5,444,820	\$ 693,012	\$ 8,340,947

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Property Taxes	\$ 1,299,837	\$ 0
Income Taxes	547,225	
Intergovernmental	2,166,172	128,850
Interest	29,030	1,488
Tuition and Fees	41,753	
Rent	4,475	
Extracurricular Activities		144,641
Gifts and Donations	6,348	21,934
Miscellaneous	24,612	
	<u>4,119,452</u>	<u>296,913</u>
Total Revenues		
Expenditures:		
Current:		
Instruction:		
Regular	1,930,189	16,207
Special	262,951	30,368
Vocational	172,795	
Other	7,183	
Support Services:		
Pupils	115,013	14,070
Instructional Staff	150,467	33,624
Board of Education	14,621	
Administration	448,040	82,868
Fiscal	128,317	128
Operation and Maintenance of Plant	392,310	
Pupil Transportation	316,875	
Central Services	3,933	4,064
Non-Instructional Services	9,821	1,672
Extracurricular Activities	108,129	98,940
Intergovernmental		73,312
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges	630	
	<u>4,061,274</u>	<u>355,253</u>
Total Expenditures		
Excess of Revenues Over/(Under) Expenditures	<u>58,178</u>	<u>(58,340)</u>
Other Financing Sources (Uses):		
Proceeds from Sale of Fixed Assets	580	
Operating Transfers In		3,500
Operating Transfers Out	(28,500)	
	<u>(27,920)</u>	<u>3,500</u>
Total Other Financing Sources (Uses)		
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>30,258</u>	<u>(54,840)</u>
Fund Balances at Beginning of Year	(108,202)	108,310
Increase in Reserve for Inventory	2,154	
Fund Balances at End of Year	\$ (75,790)	\$ 53,470

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

Governmental Fund Types		Totals (Memorandum Only)
Debt Service	Capital Projects	
\$ 115,863	\$ 67,253	\$ 1,482,953
		547,225
13,670	87,011	2,395,703
	46	30,564
		41,753
		4,475
		144,641
		28,282
	5,582	30,194
<u>129,533</u>	<u>159,892</u>	<u>4,705,790</u>
	79,223	2,025,619
		293,319
		172,795
		7,183
		129,083
		184,091
		14,621
		530,908
2,171	1,296	131,912
	38,687	430,997
	1,123	317,998
		7,997
		11,493
		207,069
		73,312
110,000		110,000
19,782	2,489	22,901
<u>131,953</u>	<u>122,818</u>	<u>4,671,298</u>
<u>(2,420)</u>	<u>37,074</u>	<u>34,492</u>
		580
		3,500
		(28,500)
<u>0</u>	<u>0</u>	<u>(24,420)</u>
(2,420)	37,074	10,072
92,396	(16,640)	75,864
		2,154
<u>\$ 89,976</u>	<u>\$ 20,434</u>	<u>\$ 88,090</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

	Governmental Fund Types		
	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$ 1,262,002	\$ 1,281,931	\$ 19,929
Income Taxes	555,000	495,149	(59,851)
Intergovernmental	2,117,664	2,166,172	48,508
Interest	22,000	29,030	7,030
Tuition and Fees	37,310	41,910	4,600
Rent	4,000	4,475	475
Extracurricular Activities			
Gifts and Donations	3,100	6,348	3,248
Miscellaneous	9,900	20,105	10,205
Total Revenues	4,010,976	4,045,120	34,144
Expenditures:			
Current:			
Instruction:			
Regular	1,917,911	1,917,334	577
Special	270,879	270,290	589
Vocational	173,680	172,310	1,370
Other	8,000	7,899	101
Support Services:			
Pupils	115,636	114,822	814
Instructional Staff	151,484	150,385	1,099
Board of Education	16,737	15,247	1,490
Administration	447,753	446,901	852
Fiscal	130,761	128,176	2,585
Operation and Maintenance of Plant	408,622	408,035	587
Pupil Transportation	317,692	317,091	601
Central Services	3,761	3,516	245
Non-Instructional Services	9,922	9,920	2
Extracurricular Activities	121,254	112,185	9,069
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	4,094,092	4,074,111	19,981
Excess of Revenues Over (Under) Expenditures	(83,116)	(28,991)	54,125
Other Financing Sources (Uses):			
Proceeds from Sale of Notes		31,986	31,986
Proceeds from Sale of Fixed Assets		580	580
Refund of Prior Year Expenditures		17,037	17,037
Advances In			
Advances Out	(3,467)	(3,465)	2
Operating Transfers In			
Operating Transfers Out	(28,501)	(28,500)	1
Other Financing Uses			
Total Other Financing Sources (Uses)	(31,968)	17,638	49,606
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(115,084)	(11,353)	103,731
Fund Balances at Beginning of Year	177,191	177,191	0
Prior Year Encumbrances Appropriated	37,714	37,714	0
Fund Balances at End of Year	\$ 99,821	\$ 203,552	\$ 103,731

Governmental Fund Types

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 159,363	\$ 160,248	\$ 885
101,282	87,542	(13,740)	13,474	13,670	196
2,500	1,488	(1,012)			
138,300	143,135	4,835			
20,715	21,933	1,218			
<u>262,797</u>	<u>254,098</u>	<u>(8,699)</u>	<u>172,837</u>	<u>173,918</u>	<u>1,081</u>
48,895	13,483	35,412			
28,655	24,655	4,000			
22,749	19,826	2,923			
83,108	79,347	3,761			
			2,500	2,171	329
5,534	4,064	1,470			
3,000	1,621	1,379			
108,782	101,349	7,433			
			151,500	151,500	0
			22,271	22,271	0
<u>300,723</u>	<u>244,345</u>	<u>56,378</u>	<u>176,271</u>	<u>175,942</u>	<u>329</u>
<u>(37,926)</u>	<u>9,753</u>	<u>47,679</u>	<u>(3,434)</u>	<u>(2,024)</u>	<u>1,410</u>
	3,465	3,465			
3,500	3,500	0			
<u>(73,312)</u>	<u>(73,312)</u>	<u>0</u>			
<u>(69,812)</u>	<u>(66,347)</u>	<u>3,465</u>	<u>0</u>	<u>0</u>	<u>0</u>
(107,738)	(56,594)	51,144	(3,434)	(2,024)	1,410
109,947	109,947	0	87,922	87,922	0
2,771	2,771	0			0
<u>\$ 4,980</u>	<u>\$ 56,124</u>	<u>\$ 51,144</u>	<u>\$ 84,488</u>	<u>\$ 85,898</u>	<u>\$ 1,410</u>

(Continued)

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
(Continued)**

	Governmental Fund Types		
	Capital Projects Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$ 21,957	\$ 22,675	\$ 718
Income Taxes			
Intergovernmental	100,742	87,011	(13,731)
Interest	200	46	(154)
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Miscellaneous			
Total Revenues	<u>122,899</u>	<u>109,732</u>	<u>(13,167)</u>
Expenditures:			
Current:			
Instruction:			
Regular	129,130	79,946	49,184
Special			
Vocational			
Other			
Support Services:			
Pupils			
Instructional Staff			
Board of Education			
Administration			
Fiscal	1,400	1,296	104
Operation and Maintenance of Plant	57,694	40,222	17,472
Pupil Transportation	1,735	1,123	612
Central Services			
Non-Instructional Services			
Extracurricular Activities			
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	<u>189,959</u>	<u>122,587</u>	<u>67,372</u>
Excess of Revenues Over (Under) Expenditures	<u>(67,060)</u>	<u>(12,855)</u>	<u>54,205</u>
Other Financing Sources (Uses):			
Proceeds from Sale of Notes			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Advances In			
Advances Out			
Operating Transfers In			
Operating Transfers Out			
Other Financing Uses			
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(67,060)	(12,855)	54,205
Fund Balances at Beginning of Year	60,248	60,248	0
Prior Year Encumbrances Appropriated	<u>7,769</u>	<u>7,769</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 957</u>	<u>\$ 55,162</u>	<u>\$ 54,205</u>

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

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 1,443,322	\$ 1,464,854	\$ 21,532
555,000	495,149	(59,851)
2,333,162	2,354,395	21,233
24,700	30,564	5,864
37,310	41,910	4,600
4,000	4,475	475
138,300	143,135	4,835
23,815	28,281	4,466
9,900	20,105	10,205
<u>4,569,509</u>	<u>4,582,868</u>	<u>13,359</u>
2,095,936	2,010,763	85,173
299,534	294,945	4,589
173,680	172,310	1,370
8,000	7,899	101
115,636	114,822	814
174,233	170,211	4,022
16,737	15,247	1,490
530,861	526,248	4,613
134,661	131,643	3,018
466,316	448,257	18,059
319,427	318,214	1,213
9,295	7,580	1,715
12,922	11,541	1,381
230,036	213,534	16,502
151,500	151,500	0
22,271	22,271	0
<u>4,761,045</u>	<u>4,616,985</u>	<u>144,060</u>
<u>(191,536)</u>	<u>(34,117)</u>	<u>157,419</u>
0	31,986	31,986
0	580	580
0	17,037	17,037
0	3,465	3,465
(3,467)	(3,465)	2
3,500	3,500	0
(28,501)	(28,500)	1
<u>(73,312)</u>	<u>(73,312)</u>	<u>0</u>
<u>(101,780)</u>	<u>(48,709)</u>	<u>53,071</u>
(293,316)	(82,826)	210,490
435,308	435,308	0
48,254	48,254	0
<u>\$ 190,246</u>	<u>\$ 400,736</u>	<u>\$ 210,490</u>

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

	Proprietary Fund Type
	Enterprise
Operating Revenues:	
Sales	\$ 162,333
Operating Expenses:	
Salaries and Wages	91,447
Fringe Benefits	28,860
Purchased Services	1,199
Materials and Supplies	5,090
Cost of Sales	98,504
Depreciation	1,166
Total Operating Expenses	226,266
Operating Loss	(63,933)
Non-Operating Revenues:	
Federal Donated Commodities	11,929
Operating Grants	37,671
Total Non-operating Revenues	49,600
Loss Before Operating Transfers	(14,333)
Operating Transfers-In	25,000
Net Income	10,667
Retained Earnings at Beginning of Year	(83,132)
Retained Earnings at End of Year	(72,465)
Contributed Capital at Beginning and End of Year	62,336
Fund Equity at End of Year	\$ (10,129)

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

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND EQUITY - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

	<u>Proprietary Fund Type</u>		
	<u>Enterprise Fund</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>
Revenues:			
Sales	\$ 172,600	\$ 162,499	\$ (10,101)
Operating Grants	39,400	38,230	(1,170)
Total Revenues	<u>212,000</u>	<u>200,729</u>	<u>(11,271)</u>
Expenses:			
Salaries	98,002	93,334	4,668
Fringe Benefits	32,100	29,358	2,742
Purchased Services	1,515	1,199	316
Materials and Supplies	91,602	91,601	1
Capital Outlay	485	482	3
Total Expenses	<u>223,704</u>	<u>215,974</u>	<u>7,730</u>
Excess of Expenses Over Revenues	(11,704)	(15,245)	(3,541)
Operating Transfers-In		<u>25,000</u>	<u>25,000</u>
Excess of Revenues and Transfers Over/(Under) Expenses	(11,704)	9,755	21,459
Fund Equity, Beginning of Year	11,668	11,668	0
Prior Year Encumbrances Appropriated	36	36	0
Fund Equity, End of Year	<u><u>\$ 0</u></u>	<u><u>\$ 21,459</u></u>	<u><u>\$ 21,459</u></u>

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

**COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

	Proprietary Fund Type
	Enterprise
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 162,499
Cash Payments for Salaries	(93,334)
Cash Payments for Fringe Benefits	(29,358)
Cash Payments to Suppliers for Goods and Services	(92,428)
Net Cash Used for Operating Activities	(52,621)
Cash Flows from Noncapital Financing Activities:	
Cash Received from Operating Grants	38,230
Cash Received from Operating Transfers In	25,000
Net Cash Provided by Noncapital Financing Activities	63,230
Cash Flows from Capital and Related Financing Activities:	
Cash Payments for Fixed Assets	(630)
Net Increase in Cash and Cash Equivalents	9,979
Cash and Cash Equivalents at Beginning of Year	11,704
Cash and Cash Equivalents at End of Year	\$ 21,683
 Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (63,933)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	1,166
Donated Commodities Used During Year	11,929
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	166
Decrease in Inventory Held for Resale	65
Decrease in Prepaid Items	144
Decrease in Materials and Supplies Inventory	370
Decrease in Accrued Wages and Benefits	(33)
Decrease in Compensated Absences Payable	(2,143)
Decrease in Intergovernmental Payable	(352)
Net Cash Used for Operating Activities	\$ (52,621)

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

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1949 through the consolidation of existing land areas and school districts. The School District serves an area of approximately one hundred five square miles. It is located in Hancock County. The School District is the 543rd largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by thirty-seven classified employees, fifty-one certified teaching personnel, and five administrative employees who provide services to eight hundred twenty-six students and other community members. It currently operates an elementary school and a middle/high school.

Reporting Entity

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

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

The School District's reporting entity includes the following:

Trinity Evangelical Lutheran School - Within the School District's boundaries, Trinity Evangelical Lutheran School is operated as a private school. Current State legislation provides funding to the parochial school. The monies are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. The activity is reflected in a special revenue fund of the School District.

The School District is associated with two jointly governed organizations and two insurance pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, Blanchard Valley Cooperative Vocational Career Center, Hancock County Schools Health Benefit Fund and Trust, and the NOACSC Workers' Compensation Group Rating Plan. Information about these organizations is presented in Notes 18 and 19 to the combined financial statements.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation - Fund Accounting

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

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

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

Governmental Fund Types

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

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure 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 obligation principal, interest, and related costs.

Capital Projects Funds - The 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 or trust funds).

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

Proprietary Fund Type

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

Enterprise Fund - The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent 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 where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The School District did not have any expendable or nonexpendable trust funds in fiscal year 1998. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

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

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

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District, except those accounted for in proprietary funds or trust funds.

B. Measurement Focus and Basis of Accounting

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

The enterprise fund is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The enterprise fund operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

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

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxpayer-assessed income taxes, grants, investment earnings, tuition, student fees, and rent.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1998, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 1999 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditure are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the enterprise fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation 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.

The Eisenhower, Title VI-B, Drug Free, and Early Childhood Preschool special revenue funds are flow through grants in which the Hancock County Educational Service Center is the primary recipient. Budgetary information for these funds is not included within the School District's reporting entity for which the "appropriated budget" is adopted.

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

Tax Budget

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

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

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1998.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, two supplemental appropriation resolutions were legally enacted; however, these amendments were not significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, except agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to

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

reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for the enterprise fund.

Lapsing of Appropriations

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

D. Cash and Investments

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

Cash and cash equivalents held for the School District by the Hancock County Educational Service Center and Chase Bank, who services the School District's bond and coupon payments, are included on the balance sheet as "Cash and Cash Equivalents with Fiscal Agents".

During fiscal year 1998, investments were limited to STAR Ohio. 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, 1998.

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 1998 amounted to \$29,030, which includes \$9,982 assigned from other School District funds.

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

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1998, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

F. Inventory

Inventory in the governmental funds is stated at cost while inventory in the enterprise fund is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in the governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased. Reported materials and

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

supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventory in the enterprise fund consists of donated food and purchased food and is expensed when used.

G. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. During fiscal year 1998, the School District received a \$16,323 refund from the Bureau of Workers' Compensation which State statute required to be included in this reserve. This refund is presented as "Miscellaneous Revenue" in accompanying financial statements. A fund balance reserve has also been established.

H. Fixed Assets and Depreciation

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

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

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise fund is computed using the straight-line method over an estimated useful life of twelve years.

I. Interfund Assets/Liabilities

Short-term interfund loans are classified as "Interfund Receivables/Payables".

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of current service with the School District.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the enterprise fund, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, payments made more than sixty days after fiscal year end are not considered to have been paid using current available financial resources. Bonds are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by the enterprise fund are reported as liabilities in the fund.

Under Ohio law, a debt service fund may be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

L. Contributed Capital

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

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1994, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the enterprise fund have been classified as retained earnings.

M. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for property taxes, inventories of materials and supplies, budget stabilization, and encumbrances. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

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

N. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, entitlements, and shared revenues 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 enterprise fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

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

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase Allocation

Non-Reimbursable Grants

Special Revenue Funds

School Account Network
Auxiliary Services
Professional Development
Gifted Education
Education Management Information Systems
NWO-RPDC
Eisenhower
Title VI-B
Title I
Title VI
Drug Free
Early Childhood Preschool

Capital Projects Fund

SchoolNet
Textbook/Instructional Materials

Reimbursable Grants

General Fund

Driver Education

Enterprise Fund

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 51 percent of the revenues of the School District's governmental fund types during the 1998 fiscal year.

O. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly

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

applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

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

P. Estimates

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

Q. Total Columns on General-Purpose Financial Statements

Total columns on the general-purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations 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 - CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 1998, the School District has implemented GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". This statement established accounting and reporting guidelines for government investments and investment pools. Under this statement, certain investments are reported at fair value. The implementation of GASB Statement No. 31 had no effect on fund balances/retained earnings as previously reported as of June 30, 1997.

NOTE 4 - ACCOUNTABILITY

At June 30, 1998, the General Fund, Title I special revenue fund, and Permanent Improvement capital projects fund had deficit fund balances which were caused by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Food Service enterprise fund had deficit retained earnings as a result of accumulated operating losses from prior years.

	Fund Deficits
General Fund	\$ 75,790
Special Revenue Fund:	
Title I	12,167
Capital Projects Fund:	
Permanent Improvement	24,146
Enterprise Fund:	
Food Service	72,465

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

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and the Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - Enterprise Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the enterprise fund (GAAP basis).
4. Proceeds from and principal payment on tax and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. The School District repays revenue anticipation debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.
6. Although not part of the appropriated budget, the Eisenhower, Title VI-B, Drug Free, and Early Childhood Preschool special revenue funds are included as part of the reporting entity when preparing financial statements that conform with GAAP

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$ 30,258	\$ (54,840)	\$ (2,420)	\$ 37,074
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued FY 1997, Received in Cash FY 1998	175,449	572	4,474	425
Accrued FY 1998, Not Yet Received in Cash	(232,744)	(2,079)	(4,078)	(6,596)

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)

	General	Special Revenue	Debt Service	Capital Projects
Expenditure Accruals:				
Accrued FY 1997, Paid in Cash FY 1998	(537,284)	(13,059)		(2,082)
Accrued FY 1998, Not Yet Paid in Cash	552,579	15,221		4,526
Prepaid Items	(8,033)	(8)		
Note Proceeds	31,986			
Note Principal Retirement			(41,500)	
Advances In		3,465		
Advances Out	(3,465)			
Reallocation of Financial Resources into Financial Statement Fund Types			41,500	(41,500)
Excess of Revenues Under Expenditures for Nonbudgeted Funds		440		
Encumbrances Outstanding at Year End (Budget Basis)	(20,099)	(6,306)		(4,702)
Budget Basis	\$ (11,353)	\$ (56,594)	\$ (2,024)	\$ (12,855)

Net Income/Excess of Revenues Over
Expenses and Transfers
Enterprise Fund

GAAP Basis	\$	10,667
<u>Increase (Decrease) Due To:</u>		
Revenue Accruals:		
Accrued FY 1997, Received in Cash FY 1998		6,174
Accrued FY 1998, Not Yet Received in Cash		(5,449)
Expense Accruals:		
Accrued FY 1997, Paid in Cash FY 1998		(50,327)
Accrued FY 1998, Not Yet Paid in Cash		47,799
Prepaid Items		144
Inventory Held for Resale		65
Materials and Supplies Inventory		370
Acquisition of Fixed Assets		(630)
Depreciation Expense		1,166
Encumbrances Outstanding at Year End (Budget Basis)		(224)
Budget Basis	\$	9,755

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

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board 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 (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury bills, bonds, notes, 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 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 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 2 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) 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).

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)

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

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

At fiscal year end, the School District had \$8,794 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 School District also had \$34,493 in cash and cash equivalents which is included on the balance sheet as "Cash and Cash Equivalents with Fiscal Agents". This represents \$27,016 held by Chase Bank, who services the School District's bond/coupon payments, and \$7,477 held by the Hancock County Educational Service Center. The Educational Service Center holds flow through grant money for the School District together with that of other school districts and therefore the School District cannot classify this money by risk under GASB Statement No. 3.

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".

At fiscal year end, the carrying amount of the School District's deposits was \$19,359 and the bank balance was \$145,752. Of the bank balance, \$132,867 was covered by federal depository insurance and \$12,885 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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 for which the securities are held by the School District or the School District's agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the School District's name. The School District's investment in STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form. At June 30, 1998, the carrying amount and fair value of funds on deposit with STAR Ohio was \$481,440.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 517,070	\$ 0
Cash on Hand	(8,794)	0
Cash and Cash Equivalents with Educational Service Center	(7,477)	0
Investments:		
STAR Ohio	(481,440)	481,440
GASB Statement No. 3	\$ 19,359	\$ 481,440

NOTE 7 - PROPERTY TAXES

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

Real property taxes are payable annually or semi-annually. 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. Under certain circumstances, State statute permits alternate payment dates to be established.

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

The School District receives property taxes from Hancock County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1998, are available to finance fiscal year 1998 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which became measurable as of June 30, 1998. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1998, was \$50,908 in the General Fund, \$4,078 in the Bond Retirement debt service fund, and \$1,014 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 1997, was \$33,002 in the General Fund, \$4,474 in the Bond Retirement debt service fund, and \$425 in the Permanent Improvement capital projects fund.

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

The assessed values upon which the fiscal year 1998 taxes were collected are:

	1997 Second- Half Collections		1998 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 40,764,980	76.32%	\$ 41,538,680	76.50%
Industrial/Commercial	4,575,250	8.57	4,340,440	7.99
Public Utility	4,351,930	8.15	4,296,950	7.91
Tangible Personal	3,716,504	6.96	4,125,501	7.60
Total Assessed Value	\$ 53,408,664	100.00%	\$ 54,301,571	100.00%
Tax rate per \$1,000 of assessed valuation	\$ 37.00		\$ 36.71	

NOTE 8 - INCOME TAXES

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective January 1, 1992, and is for a continuing period. 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.

NOTE 9 - RECEIVABLES

Receivables at June 30, 1998, consisted of property and income taxes, accounts (student fees and billings for user charged services), and intergovernmental grants, and interfund receivables. 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. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards. Accounts receivable at June 30 were \$9,177.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
Special Education Tuition/Excess Cost	\$ 1,086
Coldwater EVSD	333
Hancock County ESC	27
Total General Fund	1,446
Enterprise Fund:	
National School Lunch Program	5,444
Total Intergovernmental Receivables	\$ 6,890

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

NOTE 10 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1998, follows:

Furniture and Equipment	\$ 65,570
Less Accumulated Depreciation	<u>(59,305)</u>
Net Fixed Assets	<u><u>\$ 6,265</u></u>

A summary of the changes in general fixed assets during fiscal year 1998 follows:

Asset Category	Balance at 6/30/97	Additions	Deletions	Balance at 6/30/98
Land and Improvements	\$ 96,690	\$ 0	\$ 0	\$ 96,690
Buildings and Improvements	3,407,896			3,407,896
Furniture, Fixtures, and Equipment	1,003,960	146,080		1,150,040
Books	223,860	7,926		231,786
Vehicles	457,999	118,533	18,124	558,408
Totals	<u><u>\$ 5,190,405</u></u>	<u><u>\$ 272,539</u></u>	<u><u>\$ 18,124</u></u>	<u><u>\$ 5,444,820</u></u>

NOTE 11 - INTERFUND ASSETS/LIABILITIES

As of June 30, 1998, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Interfund Receivable	Interfund Payable
General	\$ 3,577	\$ 0
Special Revenue:		
Title I	0	3,465
Agency:		
Student Activities	0	112
Total All Funds	<u><u>\$ 3,577</u></u>	<u><u>\$ 3,577</u></u>

NOTE 12 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1998, the School District contracted for the following insurance coverages:

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

Coverages provided by Indiana Insurance are as follows:

Buildings and Contents - replacement cost (\$500 deductible)	\$ 11,792,250
Inland Marine Coverage (\$100 deductible)	94,384
Employee Dishonesty - per loss	5,000
Equipment Floater (\$100 deductible)	38,500
Electronic Data Processing Hardware Limit	352,600

Coverages provided by Nationwide Insurance are as follows:

Automobile Liability	\$ 1,000,000
Uninsured Motorists	1,000,000
Medical Payments - per person	3,000
General School District Liability	
Per Occurrence	1,000,000
Total per Year	5,000,000
Umbrella Liability Insurance	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from last year.

The School District participates in the Hancock County Schools Health Benefit Fund and Trust (the Trust), a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Mental Retardation/Developmental Disabilities. The School District pays monthly premiums to the Trust for employee medical, dental, vision, and life insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

For fiscal year 1998, the School District participated in the NOACSC Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to members that can meet the Plan's selection criteria. The members apply for participation each year. The firm of Acordia Workers' Compensation Services provides administrative, cost control, and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover the costs of administering the program.

NOTE 13 - 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 administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes

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

financial statements and required supplementary information. 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 School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1998, 9.02 percent was the portion 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 contribution for pension obligations to SERS for the fiscal years ended June 30, 1998, 1997, and 1996, were \$55,358, \$58,216, and \$60,328, respectively; 36.5 percent has been contributed for fiscal year 1998 and 100 percent for fiscal years 1997 and 1996. The unpaid contribution for fiscal year 1998, in the amount of \$37,006, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion used to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ending June 30, 1998, 1997, and 1996, were \$216,381, \$239,990, and \$230,893, respectively; 83.3 percent has been contributed for fiscal year 1998 and 100 percent for fiscal years 1997 and 1996. The unpaid contribution for fiscal year 1998, in the amount of \$36,039, 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 choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1998, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of 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, 1997, the Board allocated employer contributions equal to 2 percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1997, this allocation was increased to 3.5 percent. For the School District, this amount equaled \$72,127 during the 1998 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$1,860 million at June 30, 1997. For the fiscal year ended June 30, 1997, net health care costs paid by STRS were \$192,077,000, and STRS had 88,718 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll, an increase from 3.5 percent for fiscal year 1997. 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 1998, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1997, were \$97,429,197, and the target level was \$121.8 million. At June 30, 1997, SERS had net assets available for payment of health care benefits of \$146.4 million. SERS has approximately 48,200 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, was \$34,037 during the 1998 fiscal year.

NOTE 15 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred days for school personnel. Upon retirement, payment is made for one-third of their accrued, but unused sick leave credit to a maximum of fifty days. Additional sick leave bonus days may be earned by employees meeting certain criteria. Bonus days earned can increase the maximum sick leave days.

B. Health Care Benefits

The School District provides medical, dental, vision, and life insurance to all employees through the Hancock County Schools Health Benefit Fund and Trust. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

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

NOTE 16 - SHORT TERM OBLIGATIONS

On October 24, 1994, the School District obtained a loan, in the amount of \$166,000, for permanent improvements including asbestos removal, new boilers, and auditorium renovations. The loan was obtained under the authority of House Bill 710 for a four year period, with final maturity during fiscal year 1999. The loan is being repaid with tax revenues. The School District retired \$41,500 of the loan during fiscal year 1998 reducing the liability in the capital projects fund from \$83,000 to \$41,500.

On February 26, 1998, the School District obtained a loan, in the amount of \$31,986, to purchase a school bus. The loan had an interest rate of 5.75 percent. The loan was retired on October 30, 1998, from General Fund resources.

NOTE 17 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1998 were as follows:

	Balance at 6/30/97	Additions	Deductions	Balance at 6/30/98
School Building - Issue 1 Bonds 1977 5.375%	\$ 360,000	\$ 0	\$ 90,000	\$ 270,000
School Building - Issue 2 Bonds 1978 5.375%	40,000	0	20,000	20,000
Total Long-Term Obligations	<u>400,000</u>	<u>0</u>	<u>110,000</u>	<u>290,000</u>
Compensated Absences Payable	348,362	15,252	0	363,614
Intergovernmental Payable	38,808	39,398	38,808	39,398
Total General Long-Term Obligations	<u>\$ 787,170</u>	<u>\$ 54,650</u>	<u>\$ 148,808</u>	<u>\$ 693,012</u>

1977 School Building Bonds

On June 1, 1977, the School District issued \$2,100,000 in voted general obligation bonds for a building addition. The bonds were issued under the authority of Ohio Revised Code Chapter 133 for a twenty-four year period, with final maturity in fiscal year 2001. The bonds are being retired through the Bond Retirement debt service fund.

1978 School Building Bonds

On June 1, 1978, the School District issued \$400,000 in voted general obligation bonds for a building addition. The bonds were issued under the authority of Ohio Revised Code Chapter 133 for a twenty-one year period, with final maturity in fiscal year 1999. The bonds are being retired through the Bond Retirement debt service fund.

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contribution, will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$4,613,631 with an unvoted debt margin of \$54,302 at June 30, 1998.

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

Principal and interest requirements to retire general obligation debt outstanding at June 30, 1998, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
1999	\$ 110,000	\$ 12,632	\$ 122,632
2000	90,000	7,256	97,256
2001	90,000	2,419	92,419
	\$ 290,000	\$ 22,307	\$ 312,307

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

A. 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, Hancock, Paulding, Hancock, 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. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

B. Blanchard Valley Cooperative Vocational Career Center

The Blanchard Valley Cooperative Vocational Career Center is a distinct political subdivision of the State of Ohio established under Section 3313.90. The Career Center provides vocational instruction services to students. The Career Center operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative from the Findlay City School District. The Treasurers from the Hancock and Hancock County Educational Service Centers serve in an ex-officio capacity for all meetings. Financial information can be obtained from the Findlay City School District, Pam Barber, who serves as treasurer, at 227 South West Street, Findlay, Ohio 45840-3377.

NOTE 19 - INSURANCE POOLS

A. Hancock County Schools Health Benefit Fund and Trust

The Hancock County Schools Health Benefit Fund and Trust (the Trust) is a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Mental Retardation/Developmental Disabilities. The Trust is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, vision, and life insurance benefits to participants. The Administrative Committee of the Trust consists of the superintendent from each participating member. The Administrative Committee advises the trustee, Ohio Bank, concerning aspects of the administration of the Trust.

Each member decides which plans offered by the Administrative Committee that will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Tim Smith, Ohio Benefits Group, 545 Pearl Street, Bowling Green, Ohio 43402.

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

B. NOACSC Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The NOACSC Workers' Compensation Group Rating Plan (the Plan) was established through the Northwest Ohio Area Computer Services Cooperative (NOACSC) as a group insurance purchasing pool.

The Safety Coordinator, Robert Lotz, of NOACSC, or his designee, serves as coordinator of the Plan. Each year, the participating members pay an enrollment fee to the Plan to cover the costs of administering the program.

NOTE 20 - SCHOOL FOUNDATION PROGRAM

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's Legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "School Foundation Program", which provides significant monetary support to the School District. During the fiscal year ended June 30, 1998, the School District received \$1,930,878 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. As of the date of these financial statements, 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 21 - YEAR 2000 ISSUE

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

The School District has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 Issue and that are necessary for conducting School District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting.

The School District uses the State of Ohio Uniform School Accounting System software for financial reporting, and the State of Ohio Uniform Staff Payroll System software for payroll and employee benefits. The State is responsible for remediating these systems.

The State of Ohio distributes resources to the School District in the form of "foundation payments" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the School District through the State's Education Management and Information

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

System (EMIS). The State is responsible for remediating these systems. The State is solely responsible for any costs associated with processing foundation payments and the EMIS system.

Hancock County collects property taxes for distribution to the School District. Hancock County is responsible for remediating the tax collection system. The County is solely responsible for any costs associated with the tax collection system.

To the best of management's knowledge and belief, as of January 18, 2000, the School District has experienced no interruption of operations or services related to the Year 2000 Issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the School District does business may also experience Year 2000 readiness issues that are as yet, unknown.

NOTE 22 - CONTINGENT LIABILITIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1998.

B. Litigation

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



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**

Cory Rawson Local School District
Hancock County
3930 County Road 26
Rawson, Ohio 45881-9609

To the Board of Education:

We have audited the accompanying financial statements of the Cory Rawson Local School District, Hancock County, Ohio, (the District) as of and for the year ended June 30, 1998, and have issued our report thereon dated January 18, 2000, in which we disclosed that the District changed its method of accounting for investments. 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 that we have reported to management of the District in a separate letter dated January 18, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 18, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

January 18, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CORY RAWSON LOCAL SCHOOL DISTRICT

HANCOCK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 8, 2000**