



**FOSTORIA CITY SCHOOL DISTRICT  
SENECA COUNTY**

**SINGLE AUDIT**

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



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

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**STATE OF OHIO**



## TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Balance Sheet - All Fund Types and Account Groups .....	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental and Similar Fiduciary Fund Types .....	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) – All Governmental and Similar Fiduciary Fund Types .....	8
Combined Statement of Revenues, Expenses and Changes in Retained Earnings/ Fund Balance – All Proprietary and Similar Fiduciary Fund Types .....	12
Combined Statement of Cash Flows – All Proprietary and Similar Fiduciary Fund Types .....	13
Notes to the General-Purpose Financial Statements .....	15
Schedule of Federal Financial Assistance .....	40
Notes to the Schedule of Federal Financial Assistance .....	44
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	45
Report of Independent Accountants on Compliance with Requirements Applicable to the Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	47
Schedule of Findings .....	49

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## REPORT OF INDEPENDENT ACCOUNTANTS

Fostoria City School District  
Seneca County  
500 Parkway Drive  
Fostoria, Ohio 44830-1513

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

**Jim Petro**  
Auditor of State

January 25, 2000

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 2,090,868	\$ 455,199	\$ 455,539	\$ 103,463
Receivables:				
Taxes	6,560,303	0	889,102	285,802
Accounts	22,892	613	0	0
Interfund Receivable	115,532	1,072	0	0
Materials and Supplies Inventory	17,086	0	0	0
Prepaid Items	18,979	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	195,996	0	0	0
Fixed Assets	0	0	0	0
Accumulated Depreciation	0	0	0	0
<b>Other Debits:</b>				
Amount in Debt Service Fund for Retirement of Provided from General Government Resources	0	0	0	0
	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$ 9,021,656</b>	<b>\$ 456,884</b>	<b>\$ 1,344,641</b>	<b>\$ 389,265</b>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 67,844	\$ 22,629	\$ 0	\$ 1,564
Accrued Wages and Benefits	1,509,822	177,772	0	0
Compensated Absences Payable	33,218	0	0	0
Interfund Payable	0	6,254	0	19,019
Intergovernmental Payable	220,687	25,128	0	0
Deferred Revenue	5,889,865	0	797,428	256,180
Due to Students	0	0	0	0
Notes Payable	0	0	0	0
Claims Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
Energy Conservation Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	7,721,436	231,783	797,428	276,763
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved:				
Reserved for Encumbrances	244,078	90,461	0	39,105
Reserved for Inventory	17,086	0	0	0
Reserved for Prepaid Items	18,979	0	0	0
Reserved for Debt Service Principal	0	0	455,539	0
Reserved for Advances	97,164	1,072	0	0
Reserved for Contributions	0	0	0	0
Reserved for Property Taxes	670,438	0	91,674	29,622
Reserved for Budget Stabilization	195,996	0	0	0
Unreserved:				
Unreserved, Undesignated	56,479	133,568	0	43,775
Total Fund Equity and Other Credits	1,300,220	225,101	547,213	112,502
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$ 9,021,656</b>	<b>\$ 456,884</b>	<b>\$ 1,344,641</b>	<b>\$ 389,265</b>

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



Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Asset	General Long-Term Debt	
\$ 1,825	\$ 0	\$ 152,057	\$ 0	\$ 0	\$ 3,258,951
0	0	0	0	0	7,735,207
44,280	299	774	0	0	68,858
0	0	0	0	0	116,604
47,768	0	0	0	0	64,854
0	0	0	0	0	18,979
0	0	0	0	0	195,996
490,099	0	0	25,325,810	0	25,815,909
(270,402)	0	0	0	0	(270,402)
0	0	0	0	547,213	547,213
0	0	0	0	10,561,045	10,561,045
<b>\$ 313,570</b>	<b>\$ 299</b>	<b>\$ 152,831</b>	<b>\$ 25,325,810</b>	<b>\$ 11,108,258</b>	<b>\$ 48,113,214</b>
\$ 768	\$ 0	\$ 105	\$ 0	\$ 0	\$ 92,910
18,258	0	0	0	0	1,705,852
14,088	0	0	0	830,258	877,564
71,374	18,368	1,589	0	0	116,604
10,495	0	0	0	142,057	398,367
39,901	0	0	0	0	6,983,374
0	0	49,027	0	0	49,027
0	0	0	0	201,000	201,000
0	199,917	0	0	0	199,917
0	0	0	0	96,106	96,106
0	0	0	0	815,332	815,332
0	0	0	0	9,023,505	9,023,505
154,884	218,285	50,721	0	11,108,258	20,559,558
0	0	0	25,325,810	0	25,325,810
158,686	(217,986)	0	0	0	(59,300)
0	0	0	0	0	373,644
0	0	0	0	0	17,086
0	0	0	0	0	18,979
0	0	0	0	0	455,539
0	0	0	0	0	98,236
0	0	29,868	0	0	29,868
0	0	0	0	0	791,734
0	0	0	0	0	195,996
0	0	72,242	0	0	306,064
158,686	(217,986)	102,110	25,325,810	0	27,553,656
<b>\$ 313,570</b>	<b>\$ 299</b>	<b>\$ 152,831</b>	<b>\$ 25,325,810</b>	<b>\$ 11,108,258</b>	<b>\$ 48,113,214</b>

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

	Governmental Fund Types	
	General	Special Revenue
<b>Revenues:</b>		
Intergovernmental	\$ 7,598,835	\$ 1,923,991
Interest	206,999	1,584
Tuition and Fees	11,615	47,026
Rent	15,723	0
Extracurricular Activities	0	124,416
Gifts and Donations	78,667	27,981
Property and Other Local Taxes	6,663,713	0
Miscellaneous	175,024	27,198
Total Revenues	14,750,576	2,152,196
<b>Expenditures:</b>		
Current:		
Instruction:		
Regular	6,506,580	367,135
Special	1,444,437	531,528
Vocational	256,122	0
Adult/Continuing	3,415	37,373
Other	86,053	16,470
Support Services:		
Pupils	866,376	150,080
Instructional Staff	544,459	498,990
Board of Education	14,788	0
Administration	1,321,358	90,716
Fiscal	353,894	6,773
Business	146,702	0
Operation and Maintenance of Plant	1,616,854	14,420
Pupil Transportation	497,707	22,308
Central	92,678	10,353
Non-Instructional Services	0	373,483
Extracurricular activities	338,044	125,095
Capital Outlay	189,871	0
Debt Service:		
Principal	187,078	0
Interest	51,446	0
Total Expenditures	14,517,862	2,244,724
Excess of Revenues Over (Under) Expenditures	232,714	(92,528)
<b>Other Financing Sources and Uses</b>		
Operating Transfers In	25,688	0
Proceeds from Sale of Bonds	0	0
Proceeds from Sale of Long-Term Notes	96,000	0
Proceeds from Sale of Fixed Assets	0	0
Refund of Prior Year Expenditures	15,059	0
Inception of Capital Lease	27,796	0
Other Financing Sources	7,535	0
Operating Transfers Out	0	(269)
Refund of Prior Year Receipts	0	(1,339)
Total Other Financing Sources (Uses)	172,078	(1,608)
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	404,792	(94,136)
Fund Balance at Beginning of Year	895,428	319,237
<b>Fund Balance at End of Year</b>	<b>\$ 1,300,220</b>	<b>\$ 225,101</b>

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

Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$ 78,214	\$ 54,111	\$ 0	\$ 9,655,151
0	2,746	3,563	214,892
0	0	0	58,641
0	0	0	15,723
0	0	0	124,416
0	0	11,475	118,123
885,425	283,879	0	7,833,017
0	0	0	202,222
<u>963,639</u>	<u>340,736</u>	<u>15,038</u>	<u>18,222,185</u>
0	310,137	0	7,183,852
0	0	0	1,975,965
0	0	0	256,122
0	0	0	40,788
0	0	0	102,523
0	0	0	1,016,456
0	15,600	0	1,059,049
0	0	0	14,788
0	0	0	1,412,074
18,250	6,896	0	385,813
0	0	0	146,702
0	34,741	0	1,666,015
0	14,962	0	534,977
0	0	0	103,031
0	0	0	373,483
0	0	3,450	466,589
0	1,047,114	0	1,236,985
250,000	7,557	0	444,635
458,617	1,030	0	511,093
<u>726,867</u>	<u>1,438,037</u>	<u>3,450</u>	<u>18,930,940</u>
<u>236,772</u>	<u>(1,097,301)</u>	<u>11,588</u>	<u>(708,755)</u>
0	0	269	25,957
0	285,394	0	285,394
0	0	0	96,000
0	3,791	0	3,791
0	0	0	15,059
0	0	0	27,796
33,938	0	0	41,473
0	0	0	(269)
0	0	0	(1,339)
<u>33,938</u>	<u>289,185</u>	<u>269</u>	<u>493,862</u>
270,710	(808,116)	11,857	(214,893)
<u>276,503</u>	<u>920,618</u>	<u>55,516</u>	<u>2,467,302</u>
<u>\$ 547,213</u>	<u>\$ 112,502</u>	<u>\$ 67,373</u>	<u>\$ 2,252,409</u>

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

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
<b>Revenues:</b>			
Intergovernmental	\$ 7,599,985	\$ 7,599,985	\$ 0
Interest	206,999	206,999	0
Tuition and Fees	11,357	11,357	0
Rent	15,935	15,935	0
Extracurricular Activities	0	0	0
Gifts and Donations	61,130	61,130	0
Property and Other Local Taxes	6,525,273	6,525,273	0
Miscellaneous	175,024	175,024	0
Total Revenues	<u>14,595,703</u>	<u>14,595,703</u>	<u>0</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	6,669,965	6,572,157	97,808
Special	1,519,044	1,480,555	38,489
Vocational	262,059	256,148	5,911
Adult/Continuing	3,575	3,540	35
Other	90,033	90,033	0
Support Services:			
Pupils	891,079	869,582	21,497
Instructional Staff	566,829	541,322	25,507
Board of Education	16,725	14,899	1,826
Administration	1,340,496	1,328,217	12,279
Fiscal	375,025	365,161	9,864
Business	178,439	175,658	2,781
Operation and Maintenance of Plant	1,739,668	1,700,991	38,677
Pupil Transportation	535,140	492,945	42,195
Central	93,987	93,024	963
Non-Instructional Services	6,748	6,248	500
Extracurricular activities	335,081	331,391	3,690
Capital Outlay	212,942	190,349	22,593
Debt Service:			
Principal	98,371	98,371	0
Interest	44,278	44,277	1
Total Expenditures	<u>14,979,484</u>	<u>14,654,868</u>	<u>324,616</u>
Excess of Revenues Over (Under) Expenditures	<u>(383,781)</u>	<u>(59,165)</u>	<u>324,616</u>
<b>Other Financing Sources and Uses</b>			
Operating Transfers In	25,688	25,688	0
Proceeds from Sale of Bonds	0	0	0
Proceeds from Sale of Long-Term Notes	96,000	96,000	0
Proceeds from Sale of Fixed Assets	0	0	0
Refund of Prior Year Expenditures	12,928	12,928	0
Advances In	42,350	42,350	0
Other Financing Sources	7,535	7,535	0
Operating Transfers Out	0	0	0
Refund of Prior Year Receipts	0	0	0
Advances Out	(92,939)	(92,939)	0
Total Other Financing Sources (Uses)	<u>91,562</u>	<u>91,562</u>	<u>0</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>(292,219)</u>	<u>32,397</u>	<u>324,616</u>
Fund Balances at Beginning of Year	1,698,800	1,698,800	0
Prior Year Encumbrances Appropriated	265,779	265,779	0
<b>Fund Balance at end of Year</b>	<u><u>\$ 1,672,360</u></u>	<u><u>\$ 1,996,976</u></u>	<u><u>\$ 324,616</u></u>

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$ 2,087,928	\$ 1,923,990	\$ (163,938)	\$ 78,214	\$ 78,214	\$ 0
1,584	1,584	0	0	0	0
41,481	47,035	5,554	0	0	0
0	0	0	0	0	0
130,943	129,064	(1,879)	0	0	0
27,981	27,986	5	0	0	0
0	0	0	870,571	870,571	0
27,198	27,198	0	0	0	0
<u>2,317,115</u>	<u>2,156,857</u>	<u>(160,258)</u>	<u>948,785</u>	<u>948,785</u>	<u>0</u>
450,980	367,805	83,175	0	0	0
753,700	546,262	207,438	0	0	0
0	0	0	0	0	0
58,094	37,273	20,821	0	0	0
16,470	16,470	0	0	0	0
165,447	142,161	23,286	0	0	0
567,622	492,147	75,475	0	0	0
0	0	0	0	0	0
189,926	93,394	96,532	0	0	0
6,873	6,873	0	21,500	18,250	3,250
0	0	0	0	0	0
15,038	14,592	446	0	0	0
22,905	20,595	2,310	0	0	0
13,252	10,414	2,838	0	0	0
465,183	418,176	47,007	0	0	0
193,469	130,923	62,546	0	0	0
0	0	0	0	0	0
0	0	0	250,000	250,000	0
0	0	0	611,942	458,617	153,325
<u>2,918,959</u>	<u>2,297,085</u>	<u>621,874</u>	<u>883,442</u>	<u>726,867</u>	<u>156,575</u>
<u>(601,844)</u>	<u>(140,228)</u>	<u>461,616</u>	<u>65,343</u>	<u>221,918</u>	<u>156,575</u>
50,742	51,442	700	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
10	4,541	4,531	0	0	0
0	0	0	33,938	33,938	0
(52,660)	(51,710)	950	0	0	0
(1,339)	(1,339)	0	0	0	0
(2,377)	(677)	1,700	0	0	0
<u>(5,624)</u>	<u>2,257</u>	<u>7,881</u>	<u>33,938</u>	<u>33,938</u>	<u>0</u>
(607,468)	(137,971)	469,497	99,281	255,856	156,575
413,097	413,097	0	199,683	199,683	0
69,262	69,262	0	0	0	0
<u>\$ (125,109)</u>	<u>\$ 344,388</u>	<u>\$ 469,497</u>	<u>\$ 298,964</u>	<u>\$ 455,539</u>	<u>\$ 156,575</u>

(Continued)

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

	<b>Capital Projects</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Intergovernmental	\$ 73,130	\$ 54,111	\$ (19,019)
Interest	2,746	2,746	0
Tuition and Fees	0	0	0
Rent	0	0	0
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Property and Other Local Taxes	278,526	278,526	0
Miscellaneous	0	0	0
<b>Total Revenues</b>	<b>354,402</b>	<b>335,383</b>	<b>(19,019)</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	318,072	316,575	1,497
Special	0	0	0
Vocational	0	0	0
Adult/Continuing	0	0	0
Other	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	23,789	15,600	8,189
Board of Education	0	0	0
Administration	1,425	0	1,425
Fiscal	6,940	6,896	44
Business	0	0	0
Operation and Maintenance of Plant	45,043	43,675	1,368
Pupil Transportation	14,962	14,962	0
Central	0	0	0
Non-Instructional Services	0	0	0
Extracurricular activities	1,144,460	1,132,832	11,628
Capital Outlay	0	0	0
Debt Service:			
Principal	0	0	0
Interest	0	0	0
<b>Total Expenditures</b>	<b>1,554,691</b>	<b>1,530,540</b>	<b>24,151</b>
Excess of Revenues Over (Under) Expenditures	<b>(1,200,289)</b>	<b>(1,195,157)</b>	<b>5,132</b>
<b>Other Financing Sources and Uses</b>			
Operating Transfers In			
Proceeds from Sale of Bonds	285,394	285,394	0
Proceeds from Sale of Long-Term Notes	0	0	0
Proceeds from Sale of Fixed Assets	3,792	3,792	0
Refund of Prior Year Expenditures	0	0	0
Advances In	0	19,019	19,019
Other Financing Sources	0	0	0
Operating Transfers Out	0	0	0
Refund of Prior Year Receipts	0	0	0
Advances Out	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>289,186</b>	<b>308,205</b>	<b>19,019</b>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<b>(911,103)</b>	<b>(886,952)</b>	<b>24,151</b>
Fund Balances at Beginning of Year	206,385	206,385	0
Prior Year Encumbrances Appropriated	743,391	743,391	0
<b>Fund Balance at end of Year</b>	<b>\$ 38,673</b>	<b>\$ 62,824</b>	<b>\$ 24,151</b>

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

Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 9,839,257	\$ 9,656,300	\$ (182,957)
3,102	3,102	0	214,431	214,431	0
0	0	0	52,838	58,392	5,554
0	0	0	15,935	15,935	0
0	0	0	130,943	129,064	(1,879)
11,475	11,475	0	100,586	100,591	5
0	0	0	7,674,370	7,674,370	0
0	0	0	202,222	202,222	0
<u>14,577</u>	<u>14,577</u>	<u>0</u>	<u>18,230,582</u>	<u>18,051,305</u>	<u>(179,277)</u>
0	0	0	7,439,017	7,256,537	182,480
0	0	0	2,272,744	2,026,817	245,927
0	0	0	262,059	256,148	5,911
0	0	0	61,669	40,813	20,856
0	0	0	106,503	106,503	0
0	0	0	1,056,526	1,011,743	44,783
0	0	0	1,158,240	1,049,069	109,171
0	0	0	16,725	14,899	1,826
0	0	0	1,531,847	1,421,611	110,236
0	0	0	410,338	397,180	13,158
0	0	0	178,439	175,658	2,781
0	0	0	1,799,749	1,759,258	40,491
0	0	0	573,007	528,502	44,505
0	0	0	107,239	103,438	3,801
8,900	3,450	5,450	480,831	427,874	52,957
0	0	0	1,673,010	1,595,146	77,864
0	0	0	212,942	190,349	22,593
0	0	0	348,371	348,371	0
0	0	0	656,220	502,894	153,326
<u>8,900</u>	<u>3,450</u>	<u>5,450</u>	<u>20,345,476</u>	<u>19,212,810</u>	<u>1,132,666</u>
<u>5,677</u>	<u>11,127</u>	<u>5,450</u>	<u>(2,114,894)</u>	<u>(1,161,505)</u>	<u>953,389</u>
269	269	0	76,699	77,399	700
0	0	0	285,394	285,394	0
0	0	0	96,000	96,000	0
0	0	0	3,792	3,792	0
0	0	0	12,928	12,928	0
0	0	0	42,360	65,910	23,550
0	0	0	41,473	41,473	0
0	0	0	(52,660)	(51,710)	950
0	0	0	(1,339)	(1,339)	0
(272)	(272)	0	(95,588)	(93,888)	1,700
<u>(3)</u>	<u>(3)</u>	<u>0</u>	<u>409,059</u>	<u>435,959</u>	<u>26,900</u>
5,674	11,124	5,450	(1,705,835)	(725,546)	980,289
55,788	55,788	0	2,573,753	2,573,753	0
0	0	0	1,078,432	1,078,432	0
<u>\$ 61,462</u>	<u>\$ 66,912</u>	<u>\$ 5,450</u>	<u>\$ 1,946,350</u>	<u>\$ 2,926,639</u>	<u>\$ 980,289</u>

**COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
<b>Operating Revenues:</b>				
Tuition	\$ 5,261	\$ 0	\$ 0	\$ 5,261
Sales	245,868	0	0	245,868
Charges for Services	0	1,452,509	0	1,452,509
Other Operating Revenues	0	137	0	137
Interest	0	0	1,770	1,770
Contributions and Donations	0	0	5,000	5,000
Total Operating Revenues	<u>251,129</u>	<u>1,452,646</u>	<u>6,770</u>	<u>1,710,545</u>
<b>Operating Expenses:</b>				
Salaries	290,232	0	0	290,232
Fringe Benefits	98,494	123,992	0	222,486
Purchased Services	10,295	1,646,443	0	1,656,738
Materials and Supplies	391,504	0	0	391,504
Depreciation	20,666	0	0	20,666
Other	0	0	2,000	2,000
Total Operating Expenses	<u>811,191</u>	<u>1,770,435</u>	<u>2,000</u>	<u>2,583,626</u>
Operating Income (Loss)	<u>(560,062)</u>	<u>(317,789)</u>	<u>4,770</u>	<u>(873,081)</u>
<b>Non-Operating Revenues and Expenses:</b>				
Federal Donated Commodities	85,792	0	0	85,792
Interest	0	6,198	0	6,198
Federal and State Subsidies	<u>373,792</u>	<u>0</u>	<u>0</u>	<u>373,792</u>
Total Non-Operating Revenues and Expenses	<u>459,584</u>	<u>6,198</u>	<u>0</u>	<u>465,782</u>
Income (Loss) Before Operating Transfers	<u>(100,478)</u>	<u>(311,591)</u>	<u>4,770</u>	<u>(407,299)</u>
Operating Transfers Out	<u>(25,633)</u>	<u>0</u>	<u>0</u>	<u>(25,633)</u>
Net Income (Loss)	<u>(126,111)</u>	<u>(311,591)</u>	<u>4,770</u>	<u>(432,932)</u>
Fund Balance/Retained Earnings at Beginning of Year	<u>284,797</u>	<u>93,605</u>	<u>29,967</u>	<u>408,369</u>
<b>Fund Balance/Retained Earnings at End of Year</b>	<b><u>\$ 158,686</u></b>	<b><u>\$ (217,986)</u></b>	<b><u>\$ 34,737</u></b>	<b><u>\$ (24,563)</u></b>

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



**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Sales	\$ 319,256	\$ 0	\$ 0	\$ 319,256
Cash Received from Charges for Services	0	1,478,597	0	1,478,597
Cash Received from Tuition and Fees	5,261	0	0	5,261
Cash Received from Contributions and Donations	0	0	5,000	5,000
Cash Payments to Suppliers for Goods and Service	(296,401)	0	0	(296,401)
Cash Payments for Contract Services	(10,295)	(1,531,264)	0	(1,541,559)
Cash Payments for Employee Services	(263,018)	0	0	(263,018)
Cash Payments for Employee Benefits	(107,095)	(123,992)	0	(231,087)
Other Cash Payments	(2,251)	(137)	(2,000)	(4,388)
Net Cash Provided (Used) by Operating Activities	(354,543)	(176,796)	3,000	(528,339)
<b>Cash Flows from Noncapital Financing Activities:</b>				
Operating Grants Received	329,613	0	0	329,613
Transfers Out	(25,633)	0	0	(25,633)
Advances In	69,360	0	0	69,360
Advances Out	(41,440)	0	0	(41,440)
Cash Received from Other Funds	0	18,368	0	18,368
Net Cash Provided (Used) by Noncapital Financing Activities	331,900	18,368	0	350,268
<b>Cash Flows from Investing Activities:</b>				
Interest on Investments	0	6,198	1,526	7,724
Net Increase (Decrease) in Cash and Cash Equivalents	(22,643)	(152,230)	4,526	(170,347)
Cash and Cash Equivalents at Beginning of Year	24,468	152,230	29,898	206,596
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 1,825</b>	<b>\$ 0</b>	<b>\$ 34,424</b>	<b>\$ 36,249</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ (560,062)	\$ (317,789)	\$ 4,770	\$ (873,081)
<b>Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:</b>				
Depreciation	20,666	0	0	20,666
Donated Commodities Used During the Year	85,792	0	0	85,792
Nonexpendable Trust Fund Interest	0	0	(1,526)	(1,526)
<b>(Increase) Decrease in Assets:</b>				
Accounts Receivable	73,388	25,789	(313)	98,864
Material and Supplies Inventory	9,599	0	0	9,599
Accrued Interest Receivable	0	0	69	69
<b>Increase (Decrease) in Liabilities:</b>				
Compensated Absences Payable	3,018	0	0	3,018
Claims Payable	0	115,204	0	115,204
Intergovernmental Payable	2,620	0	0	2,620
Deferred Revenue	(2,523)	0	0	(2,523)
Accounts Payable	(61)	0	0	(61)
Accrued Wages and Benefits	13,020	0	0	13,020
Total Adjustments	205,519	140,993	(1,770)	344,742
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (354,543)</b>	<b>\$ (176,796)</b>	<b>\$ 3,000</b>	<b>\$ (528,339)</b>
Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 1999				
Total Cash and Cash Equivalents per Balance Sheet, Trust and Agency Funds			\$152,057	
Cash Equivalents Agency Funds			(50,721)	
Cash Equivalents Expendable Trust Funds			(66,912)	
Cash Equivalents Nonexpendable Trust Funds as June 30, 1999			\$34,424	

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

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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1998 AND 1997**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The District was established in 1856 through the consolidation of existing land areas and school districts. The District serves an area of approximately 32 square miles. It is located in Seneca County, but also encompasses portions of Hancock and Wood Counties and includes all of the City of Fostoria. The District is the 199th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 139 non-certificated employees and 206 certificated full-time teaching personnel who provide services to 2,505 students and other community members. The District currently operates 6 instructional buildings, one administrative building, and three garages.

**Reporting Entity:**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The District is associated with three organizations, which are defined as jointly governed organizations and an insurance purchasing pool. These organizations include the Northern Ohio Educational Computer Association, the Vanguard-Sentinel Joint Vocational School, and the Ohio School Boards Association Worker's Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the general-purpose financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Fostoria City 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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

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

The 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 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 District are financed. The acquisition, use, and balances of the 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 District's governmental fund types:

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

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

**Proprietary Fund Types:**

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

*Enterprise Funds* - Enterprise funds are used to account for School District activities 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

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

**Fiduciary Fund Types:**

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds 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. 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 District, other than those accounted for in the proprietary or trust funds.

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary 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 and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into retained earnings components. Proprietary and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental, expendable trust, 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 District is sixty days after fiscal year end.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

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

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 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. Expenditures 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 proprietary fund types and the nonexpendable trust 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 appropriations 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 fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**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 Seneca County Budget Commission for rate determination.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

**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 District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

**Appropriations:**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund 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 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 so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

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

**Encumbrances:**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. 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.

**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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet. During fiscal year 1999, investments were limited to STAR Ohio and repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$206,999. \$15,861 was assigned to 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 original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**E. Estimates**

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

**F. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and 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. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**G. Prepaid Items**

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



**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

**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 proprietary funds 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 values as of the date received. The District maintains a capitalization threshold of five hundred dollars. The 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 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 funds is computed using the straight-line method over an estimated useful life of five to twenty years.

**I. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

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

*Entitlements*

*General Fund*

- State Foundation Program
- School Bus Purchase Reimbursement

*Non-Reimbursable Grants*

*Special Revenue Funds*

- Teacher Development
- Entry Year Programs
- Data Communications for School Buildings
- Textbook/Instructional Materials Subsidy
- Adult Basic Education
- Eisenhower Grant
- Auxiliary Services
- Education Management Information Systems
- Public School Preschool
- Disadvantaged Pupil Impact Aid
- Title I
- Title VI
- Title VI-B

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

Drug Free Schools  
Goals 2000 Intervention  
Professional Development Block Grant  
Preschool Grant  
*Capital Projects Funds*  
School Net  
Technology Equity  
Emergency Building Repair Grant

*Reimbursable Grants*

*General Fund*  
Driver Education

*Proprietary Funds*

National School Lunch Program  
National School Breakfast Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 48 percent of the District's operating revenue during the 1999 fiscal year.

**J. Interfund Assets/Liabilities**

Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. In prior years, the District included only the employees who were eligible to receive termination benefits. For fiscal year 1999, the liability includes the employees who are currently eligible to receive termination benefits and those, the 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 District's termination policy.

For governmental funds, the District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The District records a liability for accumulated unused sick leave for employees after 20 years of current service with the District, or after 15 years of service and at least 45 years of age or after 5 years of service and at least 50 years old. 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 proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

**L. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles require the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the 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.

**M. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 20 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**N. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventory, property taxes, prepaid items, debt service principal, advances, contributions and budget stabilization,

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. Money not yet held for the five year period is presented as reserved. The reserve for endowments signifies the legal restrictions on the use of principal.

**O. Interfund Transactions**

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1998 AND 1997  
(Continued)**

**P. 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, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

At June 30, 1999, Disadvantaged Pupil Impact Act, Title VI-B, EHA Preschool Grant, Miscellaneous Federal Grants, Emergency School Building Repair Grant, Uniform School Supplies, Rotary, Apprenticeship, and Employee Benefit funds had deficit fund balances of \$10,722, \$8,374, \$2,912, \$140, \$1,929, \$18,348, \$1,587, \$375, \$19, and \$171,240, which were created 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.

Contrary to § 5705.41(B), Ohio Revised Code, the following accounts had expenditures plus encumbrances in excess of appropriations:

<b>Fund</b>	<b>Appropriations</b>	<b>Expenditures</b>	<b>Excess</b>
Textbook Subsidy	\$ 36,622	\$ 37,201	\$ (579)
Drug Free Grant	57,886	60,578	(2,692)
Telecomm (E-Rate)	0	20,670	(20,670)
Permanent Improvement	312,886	318,459	(5,573)
Lunchroom	707,936	715,749	(7,813)
Rotary - Industrial Arts	0	159	(159)
Benefits	1,307,000	1,608,865	(301,865)
Scholarship Trust	1,500	2,000	(500)

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations, and changes in fund balances 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 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 are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

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 and Similar Fiduciary Fund Types					
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$ 32,397	\$ (137,971)	\$ 255,856	\$ (886,952)	\$ 11,124
Net Adjustment for:					
Revenue Accruals	154,873	(4,663)	14,854	5,353	461
Expenditure Accruals	(171,249)	(58,448)	0	51,863	0
Other Sources/Uses	80,515	(3,865)	0	(19,019)	272
Encumbrances	308,256	110,811	0	40,639	0
GAAP Basis	\$ 404,792	\$ (94,136)	\$ 270,710	\$ (808,116)	\$ 11,857

**NOTE 5 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the 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 District Treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of the federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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

At fiscal year end, the District had \$200 in undeposited cash on hand which is included on the balance sheet of the District as part of "equity in pooled cash and cash equivalents".

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

*Deposits:* At fiscal year end, the carrying amount of the District's deposits and cash on hand was \$(72,934) and the bank balance was \$337,014. Of the bank balance, \$173,492 was covered by Federal Depository Insurance and \$163,522 was secured by pooled collateral that was held in the pledging financial institution's name. All State statutory requirements for the depositing of money had been followed.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

	Category	Carrying Value	Fair Value
Repurchase Agreement	3	\$ 131,977	\$ 131,977
STAR Ohio	None	3,395,704	3,395,704
Totals Investments		\$ 3,527,681	\$ 3,527,681

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$ 3,454,947	\$ 0
Cash on Hand	(200)	0
Investments:		
Repurchase agreement	(131,977)	131,977
STAR Ohio	(3,395,704)	3,395,704
GASB Statement 3	\$ (72,934)	\$ 3,527,681

**NOTE 6 - 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 District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at XX percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 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 District receives property taxes from Seneca, Hancock, and Wood Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999 are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$670,438 in the General Fund, \$91,674 in the Bond Retirement Debt Service Fund and \$29,622 in the Permanent Improvement Capital Projects Fund.

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

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 118,761,960	66%	\$122,341,470	66%
Public Utility	11,928,720	7%	12,268,000	7%
Tangible Personal Property	47,851,679	27%	51,184,840	27%
Total Assessed Value	<u>\$ 178,542,359</u>	<u>100%</u>	<u>\$ 185,794,310</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$54.88			

**NOTE 7 - RECEIVABLES**

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

A summary of the principal items of receivables follows:

	<u>Amounts</u>
General Fund	
Taxes .....	\$ 6,560,303
Accounts .....	22,892
Special Revenue Funds	
Accounts .....	613
Debt Service Fund	
Taxes .....	889,102
Capital Project Funds	
Taxes .....	285,802
Enterprise Fund	
Accounts .....	44,280
Internal Service Fund	
Accounts .....	299
Trust and Agency Funds	
Accounts .....	774
Total Receivables .....	<u>\$ 7,804,065</u>



**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1998 AND 1997  
(Continued)**

**NOTE 8 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$ 490,099
Less: Accumulated Depreciation	<u>(270,402)</u>
Net Fixed Assets	<u><u>\$ 219,697</u></u>

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

Asset Category	Adjusted Balance at 7/1/98	Additions	Deletions	Balance at 6/30/99
Land/Buildings	\$ 20,671,053	\$ 96,000	\$ 0	\$ 20,767,053
Furniture and Equipment	3,281,442	296,659	5,723	3,572,378
Vehicles	986,379			986,379
<b>Totals</b>	<u><u>\$ 24,938,874</u></u>	<u><u>\$ 392,659</u></u>	<u><u>\$ 5,723</u></u>	<u><u>\$ 25,325,810</u></u>

**NOTE 9 - RISK MANAGEMENT**

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully insured.

For fiscal year 1999, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The District pays monthly premiums to the fiscal agent who in turn pays the claims on the District's behalf. The claims liability of \$199,917 reported in the internal service fund at June 30, 1999 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. Changes in claims activity for the past two fiscal years are as follows:

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
1998	\$ 135,801	\$ 1,090,970	\$ 1,142,058	\$ 84,713
1999	\$ 84,713	\$ 1,600,077	\$ 1,484,873	\$ 199,917

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The District participates in 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 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 District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$1,184,462, \$813,703, and \$885,970, respectively; 84 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$189,704 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds.

**B. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. For fiscal year 1998, 9.79 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 District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$378,384, \$210,073, and \$211,605, respectively; 55 percent has been contributed fiscal year 1999 and 100 percent of the fiscal years 1998 and 1997. \$171,378 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds and the general long-term obligations account group.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

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

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions equal to 2 percent of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1998, the board allocated employer contributions equal to 3.5 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2,156 million on June 30, 1998. The Health Care Reserve Fund allocation for the year ended June 30, 1999 will be 8 percent of covered payroll.

For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000. There were 91,999 eligible benefit recipients.

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

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 1998, the allocation rate is 4.98 percent. 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 1998, the minimum pay has been established as \$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.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, the Retirement System's net assets available for payment of health care benefits were \$160.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .3557, then adding the surcharge due as of June 30, 1998, as certified to your district by SERS.

For the District, the amount to fund health care benefits, including the surcharge, equaled \$171,876 during 1999 fiscal year.

**NOTE 12 - EMPLOYEE BENEFITS**

**Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal 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 the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 200 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 40 days for classified employees and 50 days for certified employees.

**NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE**

The District has entered into capitalized leases for computer equipment and vehicles. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of computer equipment and vehicles have been capitalized in the general fixed assets account group in the amount of \$275,271. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1999 totaled \$96,263 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999.

Fiscal Year Ending June 30,	Computer	Vehicles	Total
2000	\$ 80,375	\$ 15,295	\$ 95,670
2001	0	6,706	6,706
Total	80,375	\$22,001	102,376
Less: Amount Representing Interest	(4,621)	(1,649)	(6,270)
Present Value of Net Minimum Lease Payment	<u>\$ 75,754</u>	<u>\$ 20,352</u>	<u>\$ 96,106</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

**NOTE 14 - LONG-TERM OBLIGATIONS**

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

	Balance at 07/01/98	Additions	Deductions	Balance At 06/30/99
Middle School Annex	\$ 0	\$ 96,000	\$ 0	\$ 96,000
HB 264 Lighting		285,394	28,539	256,855
Middle School Refinancing		9,023,505		9,023,505
Middle School Addition Bonds	9,274,235		9,274,235	
Energy Conservation Loan	628,309		69,832	558,477
School Bus Note	129,000		24,000	105,000
School Bus Note	18,000		18,000	0
Long-Term Bonds and Notes	<u>10,049,544</u>	<u>9,404,899</u>	<u>9,414,606</u>	<u>10,039,837</u>
Capital Leases	164,573	27,796	96,263	96,106
Pension Obligation	138,791	3,266		142,057
Compensated Absences	811,983	18,275		830,258
Total Long-Term Obligations	<u>\$ 11,164,891</u>	<u>\$ 9,454,236</u>	<u>\$ 9,510,869</u>	<u>\$ 11,108,258</u>

*Middle School Addition General Obligation Bonds* - On April 1, 1992, the Fostoria City School District issued bonds for the an addition and improvement to the middle school building. The bonds were issued for a twenty-five year period with final maturity at December 1, 2017. The bonds will be retired from the debt service fund.

*School Bus Note* - On May 1, 1997, the Fostoria City School District obtained a loan in the amount of \$53,000 for the purpose of purchasing school buses for the Fostoria City School District. The loan was issued for a four fiscal year period with final maturity during fiscal year 1999. The loan will be retired from the debt service fund.

*Energy Conservation Loan* - On May 15, 1997, the Fostoria City School District issued \$806,995 in unvoted general obligation notes for the purpose of providing energy conservation measures for the District, under the authority of Ohio Revised Code §§ 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2006. The loan will be retired from the debt service fund.

*School Bus Note* - On June 30, 1998, the Fostoria City School District obtained a loan in the amount of \$129,000 for the purpose of purchasing school buses for the Fostoria City School District. The loan was issued for a six year period with final maturity during fiscal year 2003. The loan will be retired from the debt service fund.

*Middle School Annex Note* - On April 1, 1999, the Fostoria City School District obtained a loan in the amount of \$96,000 for the purpose of purchasing land for the Fostoria City School District. The loan was issued for a two year period with final maturity during fiscal year 2001. The loan will be retired from the debt service fund.

*HB 264 Lighting* - On August 21, 1998, the Fostoria City School District obtained a loan in the amount of \$285,394 for the purpose of lighting for the Fostoria City School District. The loan was issued for a ten year period with final maturity during fiscal year 2008. The loan will be retired from the debt service fund.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid. Capital leases will be paid from the general and capital project funds.

The District's voted legal debt margin was \$6,226,113 with an unvoted debt margin of \$185,794 at June 30, 1999.

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

Fiscal year Ending June 30,	Principal	Interest	Total
2000	\$ 727,862	\$ 374,536	\$ 1,102,398
2001	616,780	376,270	993,050
2002	627,718	352,720	980,438
2003	643,301	327,779	971,080
2004	680,139	301,673	981,812
2005-2009	3,425,532	1,088,466	4,513,998
2010-2014	1,128,504	3,111,533	4,240,037
2015-2017	2,190,000	203,510	2,393,510
Total	<u>\$ 10,039,836</u>	<u>\$ 6,136,487</u>	<u>\$ 16,176,323</u>

**NOTE 15 - INTERFUND ACTIVITY**

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

Fund Type/Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 115,532	\$ 0
Special Revenue Fund	1,072	6,254
Capital Projects	0	19,019
Enterprise Fund	0	71,374
Internal Service		18,368
Agency Fund	0	1,589
Total All Funds	<u>\$ 116,604</u>	<u>\$ 116,604</u>

Fund Type/Fund	Transfers In	Transfers Out
General Fund	\$ 25,688	\$ 0
Special Revenue Fund		269
Expendable Trust	269	
Enterprise Fund		25,633
Agency Fund		55
Total All Funds	<u>\$ 25,957</u>	<u>\$ 25,957</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

**NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The District maintains four enterprise funds to account for the operations of food service, uniform school supplies, rotary and the adult education. The table below reflects the more significant financial data relating to the enterprise funds of the Fostoria City School District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform School Supplies	Rotary	Adult Education	Total Enterprise Funds
Operating Revenues	\$ 275,250	\$ (29,382)	\$ 0	\$ 5,261	\$ 251,129
Depreciation Expense	20,666	0	0	0	20,666
Operating Loss	(530,043)	(29,382)	0	(637)	(560,062)
Donated Commodities	85,792	0	0	0	85,792
Grants	372,496	0	0	1,296	373,792
Transfer Out	0	(25,474)	(159)	0	(25,633)
Net Income (Loss)	(71,755)	(54,856)	(159)	659	(126,111)
Net Working Capital	(59,029)	(1,588)	(375)	(19)	(61,011)
Total Assets	313,520	49	1	0	313,570
Total Liabilities	152,852	1,637	376	19	154,884
Total Equity	160,668	(1,588)	(375)	(19)	\$158,686

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

*Northern Ohio Educational Computer Association* - The District is a participant in the Northern Ohio Educational Computer Association (NOECA), a jointly governed organization. NOECA is an association of public school districts within the boundaries of Erie, Huron, Ottawa, Sandusky, and Seneca Counties and Cities of Huron, Sandusky, Norwalk, Bellevue, Port Clinton, Fremont, Fostoria, and Tiffin. NOECA 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. Each of the member districts supports NOECA based upon a per pupil charge dependent upon the software package utilized. NOECA is governed by a Board of Directors consisting of the superintendents of the member school districts. Financial information can be obtained from Betty Schwiefert, who serves as controller, at 2900 Columbus Avenue, Sandusky, Ohio 44870.

*Vanguard-Sentinal Joint Vocational School District* - The Vanguard-Sentinal Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Vanguard-Sentinal Joint Vocational School District, Jay Valasek, who serves as Treasurer, at 1306 Cedar Street, Fremont, Ohio 43420.

**NOTE 18 - INSURANCE PURCHASING POOL**

*Ohio School Boards Association Workers' Compensation Group Rating Plan* - The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

**NOTE 19 - CONTINGENCIES**

**Grants**

The 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 District at June 30, 1999.

**NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

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

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1998	\$ 0	\$ 0	\$ 87,070	\$ 87,070
Current Year Set-aside Requirement	217,851	217,851	108,926	544,628
Current Year Offsets	(35,841)	(217,851)		(253,692)
Qualifying Disbursements	(182,010)	0		(182,010)
<b>Total</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 195,996</b>	
Cash Balance Carried Forward to FY 1999	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 195,996</b>	
Amount restricted for Budget Stabilization				195,996
<b>Total Restricted Assets</b>				<b>\$ 195,996</b>



**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

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

**NOTE 21 – STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this School District. During the fiscal year ended June 30, 1999, the District received \$7,151,395 of school foundation support for its general fund.

Since the Supreme Court Ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws, and in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in the 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 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 22 – YEAR 2000 ISSUE**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal 1999.

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting through the State's Education Management and Information System (EMIS). The District has several school buildings with power systems, which have extensive efficiency utilization measures within the systems.

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

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and nonfinancial information about the District through EMIS. The State is responsible for remediating these systems.

The District currently is assessing the changes needed in the power systems. Systems may have to be remediated, and tested and validated.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

Seneca, Hancock, and Wood Counties collect property taxes for distribution to the Fostoria City School District. Seneca, Hancock, and Wood Counties are solely responsible for any costs associated with the tax collection and the distribution system project.

To the best of management's knowledge and belief, as of January 25, 2000, the District 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 arise, and parties with whom the District does business may also experience Year 2000 readiness issues that are as yet, unknown.

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

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass-through Entity Number	Federal CFDA Number
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>		
<i>Passed through the Ohio Department of Education</i>		
Nutrition Cluster		
Food Distribution		10.550
National School Lunch Program	043992 03PU 00098 043992 03PU 00099 043992 04PU 00098 043992 04PU 00099	10.555
National School Breakfast Program	043992 05PU 00098 043992 05PU 00099	10.553
Total Nutrition Cluster		
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>		
<i>Passed through the Ohio Department of Education</i>		
Special Education Cluster		
Special Education _ Grants to States (IDEA Part B)	043992 6B-SF 98P 043992 6B-SF 98	84.027
Special Education _ Preschool Grant	043992 PF-S1 97 043992 PF-S1 98	84.173
Total Special Education Cluster		
Adult Education _ State Grant Program	043992 AB-S1 97 043992 AB-S1 98 043992 AB-S1 99	84.002
Total Adult Education		
Title I Grants to Local Educational Agencies	043992 C1-S1 97C 043992 C1-S1 98 043992 C1-S1 98C 043992 C1-S1 99	84.010
Total Title I Grants to Local Educational Agencies		
Innovative Educational Program Strategies	043992 C2-S1 97C 043992 C2-S1 98C 043992 C2-S1 98 043992 C2-S1 99	84.298
Total Innovative Educational Program Strategies		

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
\$ 0	\$ 76,744	\$ 0	\$ 76,744
13,065		13,065	
34,650		34,650	
59,744		59,744	
162,011		162,011	
10,879		10,879	
27,678		27,678	
<u>308,027</u>	<u>76,744</u>	<u>308,027</u>	<u>76,744</u>
18,755		18,755	
172,958		172,958	
36,605		2,002	
<u>228,318</u>	<u>0</u>	<u>34,905</u>	<u>0</u>
17,321		6,991	
36,386		17,426	
<u>53,707</u>	<u>0</u>	<u>32,813</u>	<u>0</u>
9,052		14,999	
83,195		120,372	
480,112		59,650	
<u>572,359</u>	<u>0</u>	<u>349,618</u>	<u>0</u>
12,255		179	
<u>12,255</u>	<u>0</u>	<u>63</u>	<u>0</u>
		4,639	
		10,766	
		<u>15,647</u>	<u>0</u>

(Continued)

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

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass-through Entity Number	Federal CFDA Number
Eisenhower Proficiency Development Grant	043992 MS-S1 97C 043992 MS-S1 98C 043992 MS-S1 98 043992 MS-S1 99	84.164
Total Eisenhower Proficiency Development Grant		
Safe and Drug Free Schools Grant	043992 DR-S1 97C 043992 DR-S1 98C 043992 DR-S1 98 043992 DR-S1 99	84.186
Total Safe and Drug Free Schools		
Goals 2000_State and Local Education Systemic Improvement	043992 G2-S1 97C 043992 G2-S1 99	84.276
Total Goals 2000_State and Local Education Systemic Improvement		
Telecomm E-Rate		84.xxx
<i>Passed through Mid-Ohio Educational Service Center</i>		
Goals 2000_State and Local Education Systemic Improvement		84.276
Total Department of Education		
<b>UNITED STATES DEPARTMENT OF LABOR</b>		
<i>Passed through the Ohio Department of Education</i>		
Employment Services and Job Training		17.246
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>		
<i>Passed through the Ohio Department of Education</i>		
Learn and Serve America School Base Program		94.004

**Total Federal Financial Assistance**

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

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
(3,758)		1,177	
		4,486	
		4,086	
<u>14,841</u>		<u>9,853</u>	
<u>11,083</u>	<u>0</u>	<u>19,602</u>	<u>0</u>
(143)		2,258	
21,354		18,927	
		1,398	
<u>9,820</u>		<u>14,307</u>	
<u>31,031</u>	<u>0</u>	<u>36,890</u>	<u>0</u>
(402)		6,139	
<u>122,392</u>		<u>106,327</u>	
<u>121,990</u>	<u>0</u>	<u>112,466</u>	<u>0</u>
<u>22,511</u>		<u>22,511</u>	
1,000		1,000	
<u>187,615</u>	<u>0</u>	<u>192,469</u>	<u>0</u>
<u>22,727</u>		<u>22,727</u>	
(342)			
<u><b>\$ 1,384,666</b></u>	<u><b>\$ 76,744</b></u>	<u><b>\$ 1,369,359</b></u>	<u><b>\$ 76,744</b></u>

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 1999**

**Note A - Significant Accounting Policies**

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

**Note B - Food Distribution**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.





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**

Fostoria City School District  
Seneca County  
500 Parkway Drive  
Fostoria, Ohio 44830-1513

To the Board of Education:

We have audited the financial statements of Fostoria City School District, Seneca County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 25, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 1999-10574-001 and 1999-10574-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 25, 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 25, 2000.

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

**Jim Petro**  
Auditor of State

January 25, 2000



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

Fostoria City School District  
Seneca County  
500 Parkway Drive  
Fostoria, Ohio 44830-1513

To the Board of Education:

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

### **Compliance**

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

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

### **Internal Control Over Compliance**

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

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

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

**Jim Petro**  
Auditor of State

January 25, 2000

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

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under §.510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Nutrition Cluster: Food Distribution Program CFDA #10.550 National Breakfast Program CFDA #10.553 National School Lunch Program CFDA #10.555
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING NUMBER 1999-10574-001**

**Finding for Recovery Repaid During Audit**

The Fostoria City School District yearbook student activity held a candy sale fund raiser during fiscal year 1999. Evidence from the fund raiser reported a \$244.55 cash shortage that could not be explained.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public money due but not collected is hereby issued against Amy Tinsman, Advisor, and in favor of the Fostoria City School District, Student Activity funds, in the amount of two hundred forty-four dollars and fifty five cents.

Amy Tinsman repaid this finding as evidenced on Fostoria receipt number 200195 in the amount of \$150.00 and receipt number 2282 in the amount of \$94.55.

<b>1999-10574-002</b>	
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**FINDING NUMBER 1999-10574-002**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been lawfully appropriated. Supplemental appropriations were not approved by the Board of Education. As of June 30, 1999, the following funds had expenditures in excess of appropriations:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Textbook Subsidy	\$ 36,622	\$ 37,201	\$ (579)
Drug Free Grant	57,886	60,578	(2,692)
Telecomm (E-Rate)	0	20,670	(20,670)
Permanent Improvement	312,886	318,459	(5,573)
Lunchroom	707,936	715,749	(7,813)
Rotary - Industrial Arts	0	159	(159)
Benefits	1,307,000	1,608,865	(301,865)
Scholarship Trust	1,500	2,000	(500)

We recommend appropriation measures be compared to the latest amended certificate of estimated resources and appropriate modifications be made prior to submitting it to the County Auditor. In addition, the District should request a certification from the County Auditor for each appropriation measure.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**FOSTORIA CITY SCHOOL DISTRICT**

**SENECA 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 15, 2000**