



**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Lincolnview Local School District
Van Wert County
15945 Middle Point Road
Van Wert, Ohio 45891

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Lincolnview Local School District, Van Wert 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 Lincolnview Local School District, Van Wert County as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 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.

JIM PETRO
Auditor of State

January 13, 2000

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Cash and Cash Equivalents	\$1,871,766	\$91,780	\$40,910	\$1,073,244
Investments	0	0	0	442,076
Restricted Cash	52,154	0	0	0
Restricted Cash in Segregated Account	0	0	0	220,417
Receivables:				
Taxes	1,865,142	0	354,151	125,922
Intergovernmental	352,959	0	0	0
Accounts	0	882	0	0
Interfund Receivable	13,375	0	0	0
Prepaid Items	15,036	0	0	0
Inventory	785	0	0	0
Construction In Progress	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Amount available in Debt Service Fund	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Debt	0	0	0	0
Total Assets and Other Debits	<u>\$4,171,217</u>	<u>\$92,662</u>	<u>\$395,061</u>	<u>\$1,861,659</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$14,159	\$2,809	\$0	\$0
Contracts Payable	54,107	0	0	550,042
Payable from Restricted Asset:				
Retainage Payable	0	0	0	220,417
Accrued Salaries and Benefits	511,674	8,710	0	0
Compensated Absences Payable	8,893	0	0	0
Interfund Payable	0	13,375	0	0
Intergovernmental Payable	72,340	2,471	0	0
Deferred Revenue	1,975,893	0	323,096	114,891
Due to Students	0	0	0	0
Bonds Payable	0	0	0	0
Capital Lease Payable	0	0	0	0
Total Liabilities	<u>2,637,066</u>	<u>27,365</u>	<u>323,096</u>	<u>885,350</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved:				
Reserved for Encumbrances	27,276	7,607	0	78,832
Reserved for Inventory	785	0	0	0
Reserved for Prepaid Items	15,036	0	0	0
Reserved for Property Taxes	163,273	0	31,055	11,031
Reserved for Debt Service	0	0	40,910	0
Reserved for Principal	0	0	0	0
Reserved for Budget Stabilization	52,154	0	0	0
Unreserved Fund Balance	1,275,627	57,690	0	886,446
Total Fund Equity and Other Credits	<u>1,534,151</u>	<u>65,297</u>	<u>71,965</u>	<u>976,309</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$4,171,217</u>	<u>\$92,662</u>	<u>\$395,061</u>	<u>\$1,861,659</u>

The accompanying notes are an integral part of the financial statements.

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$38,794	\$34,468	\$0	\$0	\$3,150,962
0	0	0	0	442,076
0	0	0	0	52,154
0	0	0	0	220,417
0	0	0	0	2,345,215
0	0	0	0	352,959
310	299	0	0	1,491
0	0	0	0	13,375
0	0	0	0	15,036
5,144	0	0	0	5,929
0	0	5,147,972	0	5,147,972
9,996	0	3,377,193	0	3,387,189
0	0	0	71,965	71,965
0	0	0	6,133,393	6,133,393
<u>\$54,244</u>	<u>\$34,767</u>	<u>\$8,525,165</u>	<u>\$6,205,358</u>	<u>\$21,340,133</u>
\$0	\$90	\$0	\$0	\$17,058
0	0	0	0	604,149
0	0	0	0	220,417
12,220	0	0	0	532,604
4,610	0	0	199,735	213,238
0	0	0	0	13,375
9,911	0	0	50,705	135,427
3,087	0	0	0	2,416,967
0	31,587	0	0	31,587
0	0	0	5,952,809	5,952,809
0	0	0	2,109	2,109
<u>29,828</u>	<u>31,677</u>	<u>0</u>	<u>6,205,358</u>	<u>10,139,740</u>
0	0	8,525,165	0	8,525,165
24,416	0	0	0	24,416
0	0	0	0	113,715
0	0	0	0	785
0	0	0	0	15,036
0	0	0	0	205,359
0	0	0	0	40,910
0	1,000	0	0	1,000
0	0	0	0	52,154
0	2,090	0	0	2,221,853
<u>24,416</u>	<u>3,090</u>	<u>8,525,165</u>	<u>0</u>	<u>11,200,393</u>
<u>\$54,244</u>	<u>\$34,767</u>	<u>\$8,525,165</u>	<u>\$6,205,358</u>	<u>\$21,340,133</u>

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

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Revenues:						
Taxes	\$1,907,493	\$0	\$361,372	\$128,635	\$0	\$2,397,500
Tuition and Fees	549,404	845	0	0	0	550,249
Intergovernmental	2,396,558	136,105	40,323	14,281	0	2,587,267
Interest	119,884	338	0	230,768	0	350,990
Rent	5,360	0	0	0	0	5,360
Extracurricular Activities	0	71,239	0	0	0	71,239
Gifts and Donations	34,489	18,269	0	0	1,492	54,250
Miscellaneous	9,025	26,261	0	0	0	35,286
Total Revenues	5,022,213	253,057	401,695	373,684	1,492	6,052,141
Expenditures:						
Current:						
Instruction:						
Regular	2,100,931	7,685	0	44,987	0	2,153,603
Special	707,100	137,048	0	0	0	844,148
Vocational	122,095	1,431	0	0	0	123,526
Other	27,500	0	0	0	0	27,500
Support Services:						
Pupils	123,685	13,200	0	0	0	136,885
Instruction	128,377	29,007	0	0	0	157,384
Board of Education	21,308	0	0	0	0	21,308
Administration	496,481	35,135	0	0	1,766	533,382
Fiscal	184,433	2,046	9,346	11,610	0	207,435
Operation and Maintenance	333,262	3,933	0	4,427	0	341,622
Transportation	309,411	42	0	0	0	309,453
Central Services	4,771	0	0	0	0	4,771
Extracurricular Activities	92,033	83,085	0	0	0	175,118
Capital Outlay	0	0	0	4,523,728	0	4,523,728
Debt Service:						
Interest	0	0	310,220	0	0	310,220
Total Expenditures	4,651,387	312,612	319,566	4,584,752	1,766	9,870,083
Excess (Deficiency) of Revenues Over (Under) Expenditures	370,826	(59,555)	82,129	(4,211,068)	(274)	(3,817,942)
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	262	0	0	0	0	262
Other Financing Sources	282	0	0	0	0	282
Total Other Financing Sources (Uses)	544	0	0	0	0	544
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	371,370	(59,555)	82,129	(4,211,068)	(274)	(3,817,398)
Fund Balances (Deficits) at Beginning of Year	1,162,781	124,852	(10,164)	5,187,377	2,131	6,466,977
Fund Balances (Deficits) at End of Year	\$1,534,151	\$65,297	\$71,965	\$976,309	\$1,857	\$2,649,579

The accompanying notes are an integral part of the financial statements.

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

	Governmental Fund Types					
	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$1,856,938	\$1,864,656	\$7,718	\$0	\$0	\$0
Tuition and Fees	274,886	523,723	248,837	1,063	845	(218)
Intergovernmental	2,390,810	2,396,558	5,748	210,021	136,106	(73,915)
Interest	103,615	119,883	16,268	574	338	(236)
Rent	3,664	5,360	1,696	0	0	0
Extracurricular Activities	0	0	0	78,631	71,774	(6,857)
Gifts and Donations	6,800	34,489	27,689	17,640	17,869	229
Miscellaneous	5,495	9,160	3,665	26,837	26,159	(678)
Total Revenues	4,642,208	4,953,829	311,621	334,766	253,091	(81,675)
Expenditures:						
Current:						
Instruction:						
Regular	2,133,011	2,094,960	38,051	20,637	7,684	12,953
Special	725,169	702,531	22,638	185,904	138,252	47,652
Vocational	127,433	122,300	5,133	0	0	0
Other	28,000	27,709	291	0	0	0
Support Services:						
Pupils	131,540	126,125	5,415	13,200	13,200	0
Instruction	131,750	128,022	3,728	36,249	31,027	5,222
Board of Education	32,055	20,879	11,176	0	0	0
Administration	524,836	500,351	24,485	37,717	34,879	2,838
Fiscal	191,641	182,801	8,840	3,092	2,007	1,085
Operation and Maintenance	358,226	346,814	11,412	3,933	3,933	0
Transportation	316,590	307,741	8,849	42	42	0
Central Services	5,364	4,742	622	0	0	0
Extracurricular Activities	92,856	91,116	1,740	103,769	96,375	7,394
Capital Outlay	0	0	0	0	0	0
Debt Service						
Debt Service - Interest	0	0	0	0	0	0
Total Expenditures	4,798,471	4,656,091	142,380	404,543	327,399	77,144
Excess (Deficiency) of Revenues Over (Under) Expenditures	(156,263)	297,738	454,001	(69,777)	(74,308)	(4,531)
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	290	0	(290)	0	0	0
Refund of Prior Year Expenditures	19,412	21,400	1,988	0	0	0
Advances In	224,589	38,948	(185,641)	0	13,374	13,374
Refund of Prior Year Receipts	0	0	0	(344)	(344)	0
Advances Out	(15,000)	(13,374)	1,626	0	0	0
Total Other Financing Sources (Uses)	229,291	46,974	(182,317)	(344)	13,030	13,374
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	73,028	344,712	271,684	(70,121)	(61,278)	8,843
Fund Balances (Deficit) at Beginning of Year	1,444,172	1,444,172	0	131,132	131,132	0
Prior Year Encumbrances Appropriated	43,756	43,756	0	11,510	11,510	0
Fund Balances (Deficit) at End of Year	\$1,560,956	\$1,832,640	\$271,684	\$72,521	\$81,364	\$8,843

The accompanying notes are an integral part of the financial statements.

Governmental Fund Types						Fiduciary Fund Types		
Debt Service Funds			Capital Projects Fund			Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$350,757	\$353,277	\$2,520	\$124,431	\$125,761	\$1,330	\$0	\$0	\$0
0	0	0	0	0	0	0	0	0
40,000	40,323	323	14,500	14,281	(219)	0	0	0
0	0	0	226,000	230,768	4,768	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	1,796	1,492	(304)
0	0	0	0	0	0	0	0	0
390,757	393,600	2,843	364,931	370,810	5,879	1,796	1,492	(304)
0	0	0	44,988	44,988	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	0	0	0	0
0	0	0	0	0	0	2,150	1,766	384
10,000	9,347	653	13,000	11,610	1,390	0	0	0
0	0	0	7,000	6,372	628	0	0	0
0	0	0	10,000	9,765	235	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	5,246,850	4,567,313	679,537	0	0	0
310,220	310,220	0	0	0	0	0	0	0
320,220	319,567	653	5,321,838	4,640,048	681,790	2,150	1,766	384
70,537	74,033	3,496	(4,956,907)	(4,269,238)	687,669	(354)	(274)	80
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
0	0	0	0	0	0	0	0	0
(33,500)	(33,438)	62	0	0	0	0	0	0
(33,500)	(33,438)	62	0	0	0	0	0	0
37,037	40,595	3,558	(4,956,907)	(4,269,238)	687,669	(354)	(274)	80
315	315	0	643,746	643,746	0	2,131	2,131	0
0	0	0	4,927,839	4,927,839	0	0	0	0
\$37,352	\$40,910	\$3,558	\$614,678	\$1,302,347	\$687,669	\$1,777	\$1,857	\$80

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

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Non-Expendable Trust</u>	
Operating Revenues:			
Sales	\$158,153	\$0	\$158,153
Tuition	11,178	0	11,178
Other Revenues	429	0	429
	<hr/>	<hr/>	<hr/>
Total Operating Revenue	169,760	0	169,760
	<hr/>	<hr/>	<hr/>
Operating Expenses:			
Salaries	92,751	0	92,751
Fringe Benefits	12,439	0	12,439
Purchased Services	1,735	0	1,735
Materials and Supplies	122,491	0	122,491
Depreciation	616	0	616
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	230,032	0	230,032
	<hr/>	<hr/>	<hr/>
Operating Income (Loss)	(60,272)	0	(60,272)
	<hr/>	<hr/>	<hr/>
Non-Operating Revenues (Expenses):			
Federal Donated Commodities	16,386	0	16,386
Interest	3	59	62
Federal and State Subsidies	38,562	0	38,562
	<hr/>	<hr/>	<hr/>
Total Non-Operating Revenues and (Expenses)	54,951	59	55,010
	<hr/>	<hr/>	<hr/>
Net Income (Loss)	(5,321)	59	(5,262)
	<hr/>	<hr/>	<hr/>
Retained Earnings / Fund Balance at Beginning of Year	29,737	1,174	30,911
	<hr/>	<hr/>	<hr/>
Retained Earnings / Fund Balance at End of Year	<u>\$24,416</u>	<u>\$1,233</u>	<u>\$25,649</u>

The accompanying notes are an integral part of the financial statements.

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS/FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types			Fiduciary Fund Types		
	Enterprise Funds		Variance Favorable (Unfavorable)	Non-Expendable Trust Funds		Variance Favorable (Unfavorable)
	Revised Budget	Actual		Revised Budget	Actual	
Revenues:						
Sales	\$137,127	\$133,742	(\$3,385)	\$0	\$0	\$0
Intergovernmental	46,531	44,704	(1,827)	0	0	0
Charges for Services	10,992	11,352	360	0	0	0
Interest	0	3	3	61	59	(2)
Miscellaneous	24,499	25,105	606	0	0	0
Refund of Prior Year Expense	0	77	77	0	0	0
Total Revenues	219,149	214,983	(4,166)	61	59	(2)
Expenditures:						
Salaries	84,600	81,209	3,391	0	0	0
Fringe Benefits	19,550	18,189	1,361	0	0	0
Purchased Services	3,988	1,735	2,253	0	0	0
Materials and Supplies	114,742	106,589	8,153	0	0	0
Other	300	235	65	0	0	0
Capital Outlay	500	100	400	0	0	0
Total Expenditures	223,680	208,057	15,623	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,531)	6,926	11,457	61	59	(2)
Other Financing Sources (Uses):						
Advances Out	(5,510)	(5,510)	0	0	0	0
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(10,041)	1,416	11,457	61	59	(2)
Fund Balance beginning of Year	35,824	35,824	0	1,174	1,174	0
Prior Year Encumbrances Appropriated	929	929	0	0	0	0
Fund Balance end of Year	\$26,712	\$38,169	\$11,457	\$1,235	\$1,233	(\$2)

The accompanying notes are an integral part of the financial statements.

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

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Non-Expendable Trust</u>	<u>(Memorandum Only)</u>
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$170,276	\$0	\$170,276
Cash Payments to Suppliers for Goods and Services	(108,033)	0	(108,033)
Cash Payments to Employees for Services	(81,209)	0	(81,209)
Cash Payments for Employee Benefits	(18,190)	0	(18,190)
Net Cash Provided by (Used for) Operating Activities	<u>(37,156)</u>	<u>0</u>	<u>(37,156)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	44,704	0	44,704
Advances To Other Funds	(5,510)	0	(5,510)
Interest	3	59	62
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>39,197</u>	<u>59</u>	<u>39,256</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,041	59	2,100
Cash and Cash Equivalents at Beginning of Year	<u>36,753</u>	<u>1,174</u>	<u>37,927</u>
Cash and Cash Equivalents at End of Year	<u><u>\$38,794</u></u>	<u><u>\$1,233</u></u>	<u><u>\$40,027</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	(\$60,272)	\$0	(\$60,272)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	616	0	616
Donated Commodities Used During Year	16,386	0	16,386
Changes in Assets and Liabilities:			
(Increase)/Decrease in Accounts Receivable	517	0	517
(Increase)/Decrease in Commodities Inventory	(278)	0	(278)
Increase/(Decrease) in Accounts Payable	(447)	0	(447)
Increase/(Decrease) in Accrued Salaries and Benefits	640	0	640
Increase/(Decrease) in Compensated Absences Payable	3,581	0	3,581
Increase/(Decrease) in Intergovernmental Payables	1,570	0	1,570
Increase/(Decrease) in Deferred Revenue	531	0	531
Total Adjustments	<u>23,116</u>	<u>0</u>	<u>23,116</u>
Net Cash Provided by Operating Activities	<u><u>(\$37,156)</u></u>	<u><u>\$0</u></u>	<u><u>(\$37,156)</u></u>
Reconciliation of Trust and Agency Funds:			
Cash and Cash Equivalents - All Fiduciary Funds	\$34,468		
Cash and Cash Equivalents - All Agency Funds	(31,378)		
Cash and Cash Equivalents - All Expendable Trust Funds	(1,857)		
Cash and Cash Equivalents - All Non-expendable Trust Funds	<u><u>\$1,233</u></u>		

The accompanying notes are an integral part of the financial statements.

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District is located in rural farm land within Van Wert County, consisting of residences. The School District is the 532nd largest in the State of Ohio (among 628 school districts) in terms of enrollment. It is staffed by 41 non-certificated employees and 71 certificated full-time teaching personnel who provide services to 879 students and other community members.

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

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

The School District is associated with five organizations which are defined as jointly governed organizations and public entity risk pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, Vantage Joint Vocational School, the Ohio School Boards Association Workers' Compensation Group Rating Plan, the Van Wert Area Schools Consortium Local Professional Development Committee, and the Van Wert Area School Insurance Group (VWASIG). 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 Lincolnview Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

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

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

Governmental Fund Types:

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

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than 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 School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Funds - 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 GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School 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 School 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 School 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 contributed capital and 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 School District is sixty days after fiscal year end.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, 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. 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 Data

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 object level within each function for General, Debt Service, Capital Project and Enterprise funds and at the fund level for Special Revenue and Expendable Trust Funds. 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 Van Wert County Budget Commission for rate determination.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Appropriations

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

The Board may pass supplemental fund appropriations 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 and reported in the notes to the financial statements for proprietary funds.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Data (Continued)

Lapsing of Appropriations

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

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 1999, investments were limited to certificates of deposit, investment in STAR Ohio, commercial paper, repurchase agreements, treasury notes, and federal agency securities.

Money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost. 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 \$119,884 which includes \$9,827 assigned from other School District funds.

The School District was required to deposit monies into separate accounts for the accumulated retainage on contracts for the construction and renovation to the school buildings. The amount held within these accounts is reflected as "Restricted Cash in Segregated Accounts."

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

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The 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.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Prepaid Items

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

G. Restricted Assets

Restricted assets in the general fund represents cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 21 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves. Restricted assets in the capital project fund represents cash whose use is limited to retainage payable to contractors

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 School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to 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 School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

 General Fund

 State Foundation Program

 State Property Tax Relief

 School Bus Purchase Reimbursement

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Intergovernmental Revenues (Continued)

Non-Reimbursable Grants

Special Revenue Funds

- Education Management Information Systems
- Early Childhood Education Development - Latchkey
- Title I
- Title VI
- Title VI-B
- Teacher Development Grant

Capital Projects Funds

- School Net Plus
- Technology Equity

Reimbursable Grants

General Fund

- Driver Education

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 42 percent of the District's operating revenue during FY 99.

J. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. 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 School 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 termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits 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.

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

M. Bond Premiums and Discounts

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

N. Interfund Transactions

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

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

O. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, prepaid items, debt service, property taxes, principal and budget stabilization.

P. Total Columns on General Purpose Financial Statements

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

Q. 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 may differ from those estimates.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP basis - fund balance	\$1,534,151	\$65,297	\$ 71,965	\$976,309	\$1,857
Adjustment for GAAP basis:					
Accrued revenues/prepaid expenses	(2,247,298)	(882)	(354,151)	(125,922)	0
Accrued expenditures/deferred revenue	2,637,066	27,365	323,096	885,350	0
Encumbrances outstanding (budget basis)	<u>(91,279)</u>	<u>(10,416)</u>	<u>0</u>	<u>(433,390)</u>	<u>0</u>
Budget basis - fund balance	<u>\$1,832,640</u>	<u>\$81,364</u>	<u>\$ 40,910</u>	<u>\$1,302,347</u>	<u>\$1,857</u>

	<u>Enterprise</u>	<u>Non-Expendable Trust</u>
GAAP basis	\$24,416	\$1,233
Increased (Decrease) due to:		
Revenue accruals	(10,306)	
Expenses accruals	29,828	
Materials and supplies inventory	(5,144)	
Encumbrances outstanding	<u>(625)</u>	<u>0</u>
Budget basis	<u>\$38,169</u>	<u>\$1,233</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

Interim monies may be invested in the following obligations. In general, investments must mature or be redeemable within two years from the date of purchase:

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
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.
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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

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.

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

At fiscal year end, the School District had \$290 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

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

Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$478,127 and the bank balance was \$529,748. Of the bank balance, \$330,555 was covered by federal depository insurance and \$199,193 was unpledged and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments - The School's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School or its agent in the School's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterpart's Trust department or agent in the School's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterpart or its Trust department but not in the School's name.

	Category			Carrying Amount	Fair Value
	1	2	3		
Repurchase Agreement	\$ 0	\$0	\$31,205	\$ 31,205	\$ 31,205
U.S. Treasury Notes	936,786	0	0	936,786	945,380
Commercial Paper	<u>417,014</u>	<u>0</u>	<u>0</u>	<u>417,014</u>	<u>417,014</u>
Total	\$1,353,800	\$0	\$31,205	\$1,385,005	\$1,393,599
Investments not subject to categorization: STAROHIO				<u>2,002,187</u>	<u>2,002,187</u>
Total Investments				<u>\$3,387,192</u>	<u>\$3,395,786</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$3,423,533	\$442,076
Cash on Hand	(290)	0
Commercial Paper	(417,014)	417,014
Federal Agency Securities	(494,710)	494,710
Repurchase Agreement	(31,205)	31,205
STAR Ohio	<u>(2,002,187)</u>	<u>2,002,187</u>
GASB Statement 3	<u>\$ 478,127</u>	<u>\$3,387,192</u>

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 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 School District receives property taxes from Van Wert County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents 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 \$163,273 in the General Fund, \$31,055 in the Debt Service Fund and \$11,031 in the Capital Project Fund.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 5 - PROPERTY TAXES (Continued)

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

	1998 Second-Half Collections		1999 First-Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Residential/Agricultural and Other Real Estate	\$48,780,850	85.67%	\$49,544,550	86.59%
Public Utilities Personal	5,108,320	8.97	4,945,410	8.64
Tangible Personal Property	<u>3,050,560</u>	<u>5.36</u>	<u>2,726,910</u>	<u>4.77</u>
Total Valuation	<u>\$56,939,730</u>	<u>100%</u>	<u>\$57,216,870</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$55.80		\$55.80	

NOTE 6 - RECEIVABLES

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

A summary of the receivables follows:

	Amounts
General Fund	
Taxes	\$1,865,142
Interfund	13,375
Intergovernmental	352,959
Special Revenue Funds	
Accounts	882
Debt Service Funds	
Taxes	354,151
Capital Project Funds	
Taxes	125,922
Enterprise Funds	
Accounts	310
Trust Funds	
Accounts	<u>299</u>
Total Receivables	<u>\$2,713,040</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 7 - FIXED ASSETS

A summary of the Proprietary Fund property, plant, and equipment at June 30, 1999, is as follows:

	<u>Balance June 30, 1999</u>
Furniture and Equipment	\$74,123
Less: Accumulated Depreciation to June 30, 1999	<u>(64,127)</u>
Net Fixed Assets - Proprietary Funds	<u>\$ 9,996</u>

A summary of the general fixed assets follows:

	<u>Balance at 6/30/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/99</u>
Land and Improvements	\$ 476,210	\$0	\$0	\$ 476,210
Building	1,192,864	0	0	1,192,864
Furniture and Equipment	857,608	93,203	22,528	928,283
Vehicles	782,194	0	2,358	779,836
Construction in Progress	<u>1,018,735</u>	<u>4,129,237</u>	<u>0</u>	<u>5,147,972</u>
Total	<u>\$4,327,611</u>	<u>\$4,222,440</u>	<u>\$ 24,886</u>	<u>\$8,525,165</u>

Management has decided it would not be feasible to track the inventory and accurately assess the cost of the textbooks; therefore, they are not reported in the furniture and equipment account. The Construction in Progress Account contains capitalized cost incurred to date for construction of a new elementary building.

NOTE 8 - RISK MANAGEMENT

The School District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees and natural disasters. During fiscal year 1999, the School District contracted with the Nationwide Insurance Company for property and general liability insurance and boiler and machinery insurance. Professional liability is protected by Nationwide Insurance Company with \$2,000,000 each occurrence, \$5,000,000 in annual aggregate limit, with a \$3,000,000 umbrella policy.

Vehicles are also covered by Nationwide Insurance Company. Automobile liability has a \$2,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years.

Public officials bond insurance is provided by the Nationwide Insurance Company.

The School District is a member of the Van Wert Area School Insurance Group (VWASIG) a cooperative group of Van Wert County Schools established to provide a self-insurance fund to provide life insurance and pay medical/surgical, prescription drug, and dental benefits of employees and their covered dependents. The medical insurance program operates under the control of a Board of Trustees representing the member schools and is administered by Administrative Calends, Inc. of Fort Wayne, Indiana, with the Van Wert Educational Service Center serving as fiscal agent.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute 14 percent; 7.7 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$94,547, \$90,995, and \$80,996 respectively; 32% has been contributed for the fiscal year 1999 and 100% for fiscal years 1998 and 1997. \$35,465 represents the unpaid contribution for fiscal year 1999, and is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$361,749, \$339,233, and \$340,914 respectively; 86% has been contributed for the fiscal year 1999 and 100% for fiscal years 1998 and 1997. \$21,216 represents the unpaid contribution for fiscal year 1999, and is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1998, three members of the Board of Education have elected social security with the other two contributing to SERS. The Board's liability is 6.2 percent of wages paid.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 10 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$206,714 during the 1999 fiscal year.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll; an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1999, the minimum pay has been established as \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$71,289 during the 1999 fiscal year.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for the maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, was \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for the payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 11 - 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 225 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 45 days for certified employees.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 12 - LONG-TERM DEBT

Long-term obligations of the School District at June 30, 1999, consisted of the following:

	Principal Outstanding <u>6/30/98</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>6/30/99</u>
General Obligation Bonds:				
1997 School Facilities Issue:				
Serial and Term Bonds - 4.1 to 5.55%	\$5,875,000	\$0	\$0	\$5,875,000
Capital Appreciation Bonds - 13.6%	68,216	9,593	0	77,809
Capital Lease Payable	4,924	0	2,815	2,109
Intergovernmental Payable	38,014	12,691	0	50,705
Compensated Absences	<u>177,139</u>	<u>22,596</u>	<u>0</u>	<u>199,735</u>
Total General Long-Term Obligations	<u>\$6,163,293</u>	<u>\$44,880</u>	<u>\$ 2,815</u>	<u>\$6,205,358</u>

Capital lease payable will be paid out of the general fund. Compensated absences and intergovernmental payable will be paid from the fund which the person is paid. Compensated absences, additions and deductions have been netted because the calculations are estimates making it impractical to determine.

General Obligation Bond - On August 27, 1997, Lincolnview Local School District issued \$5,936,180 in school improvement bonds for the purpose of constructing a K-6 elementary building for the School District, under the authority of Ohio Revised Code Section 3317.22. The bond issue included serial, term and capital appreciation bonds in the amount of \$1,615,000, \$4,260,000 and \$61,180, respectively. The bonds were issued with final maturity during fiscal year 2025. The bonds will be retired from the debt service fund.

Principal and interest requirements to retire the bonds outstanding at June 30, 1999, are as follows:

Fiscal Year <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 85,000	\$ 308,478	\$ 393,478
2001	90,000	304,845	394,845
2002	100,000	300,805	400,805
2003	110,000	296,235	406,235
2004	115,000	291,228	406,228
2005-2025	<u>5,375,000</u>	<u>3,530,854</u>	<u>8,905,854</u>
Total	<u>\$5,875,000</u>	<u>\$5,032,445</u>	<u>\$10,907,445</u>

The capital appreciation bonds will mature in fiscal years 2011 and 2012. The maturity amount of the bonds is \$210,000 and 215,000 respectively. For the fiscal year 1999, \$9,593 was accreted for a total bond value of \$77,809.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 13 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the School District entered into a capitalized lease for a copier with paper feed pedestal.

The 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.

The fixed asset acquired by the lease has been capitalized in the general fixed assets account group in the amount of \$8,944, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group.

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

<u>Fiscal Year Ending June 30,</u>	<u>General Long-Term Obligations</u>
2000	<u>\$2,109</u>
Total minimum lease payments	2,109
Less: amount representing interest	<u>(62)</u>
Present value of minimum lease payments	<u>\$2,047</u>

NOTE 14 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 1999, consist of the following individual fund receivables and payables:

<u>Interfund Receivable/Payable</u>	<u>Receivable</u>	<u>Payable</u>
General	\$13,375	\$ 0
Special Revenue Fund	<u>0</u>	<u>13,375</u>
Total	<u>\$13,375</u>	<u>\$13,375</u>

NOTE 15 - SERVICE CONTRACT COMMITMENTS

Lincolnview Local School District has entered into contracts with the STARR Commonwealth Schools and the Marsh Foundation. The students who attend these schools are by court order or other agency. These two schools are located in the Lincolnview Local School District and these students are entitled to an education from Lincolnview by state law. The School District provides material and teaching personnel for the education of these students. They are then reimbursed for these costs at the end of the fiscal year.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and before and after school child care (Latchkey). The table below summarizes the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 1999.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Latchkey</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$133,742	\$24,456	\$11,562	\$169,760
Operating Expenses				
before Depreciation	192,642	28,669	8,105	229,416
Depreciation	616	0	0	616
Operating Income (Loss)	(59,516)	(4,213)	3,457	(60,272)
Donated Commodities	16,386	0	0	16,386
Operating Grants	38,562	0	0	38,562
Interest	3	0	0	3
Net Income (Loss)	(4,565)	(4,213)	3,457	(5,321)
Net Working Capital	7,682	9,099	2,249	19,030
Total Assets	41,590	9,099	3,555	54,244
Total Equity	13,068	9,099	2,249	24,416
Encumbrances Outstanding at June 30, 1999	\$ 0	\$ 625	\$ 0	\$ 625

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative - The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among forty-seven school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each of the governments of these schools supports NOACSC based upon a per pupil charge dependent upon the software package utilized.

The NOACSC Assembly consists of a representative from each participating school district and the superintendent from the fiscal agent. The Board of Directors consists of the superintendent from the fiscal agent, the two Assembly members from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation of the Board. Financial information can be obtained by contacting Marilyn Fruchey, Treasurer of the Western Buckeye Educational Service Center, North Cherry Street, Paulding, Ohio 45879. The Western Buckeye Educational Service Center serves as the fiscal agent of the NOACSC.

Vantage Joint Vocational School - The Vantage Joint Vocational School 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 Vantage Joint Vocational School at 818 North Franklin Street, Van Wert, Ohio 45891.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Van Wert Area Schools Consortium Local Professional Development Committee - The School District is a participant in the Van Wert Area Schools Consortium Local Professional Development Committee (the Committee) which is a regional council of governments established to provide professional educator license renewal standards and procedures. The Committee is governed by a board made up of one teacher from Crestview Local School District, one teacher from Lincolnview Local School District, two teachers from Van Wert City School District, three teachers from Vantage Joint Vocational School, two teachers collectively from the Western Buckeye Educational Service Center and the Thomas Edison MRDD, and one principal from the schools of the Consortium with terms of three years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Van Wert City School District, 205 West Crawford Street Van Wert.

NOTE 18 - INSURANCE PURCHASING POOLS

Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Plan - The District participates in a group rating plan (GRP) for workers' compensation as established under Ohio Revised Code Section 4123.29. The Group Rating Plan was established through the Northwest Ohio Area Computer Service Cooperative as a group insurance purchasing pool. The GRP's business and affairs are conducted by a twenty-five member Board of Directors consisting two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating Districts pay an enrollment fee to cover the costs of administering the program.

Van Wert Area School Insurance Group (VWASIG) - The School District is a member of the Van Wert Area School Insurance Group (VWASIG) a cooperative group of Van Wert County Schools established to provide a self-insurance fund to provide life insurance and pay medical/surgical, prescription drug, and dental benefits of employees and their covered dependents. The medical insurance program operates under the control of a Board of Trustees representing the member schools and is administered by Calends Inc. of Fort Wayne, Indiana, with the County Board of Education acting as the fiscal agent.

NOTE 19 - CONTINGENCIES

Grants

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

NOTE 20 - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the School District received \$2,124,385 of school foundation support for its general fund.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 20 - STATE SCHOOL FUNDING DECISION (Continued)

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 Perry county has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

NOTE 21 - STATUTORY RESERVES

The School District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the School District was not required to set aside any general fund revenues due to the fact that they did not have a 3% increase in revenues. During fiscal year ended June 30, 1999, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Balance 7/1/1998	\$ 0	\$ 0	\$ 0	\$ 0
Required Set-Aside	66,458	66,458	52,154	185,070
Offset Credits	(11,905)	(125,761)	0	(137,666)
Qualifying Expenditures	<u>(138,160)</u>	<u>0</u>	<u>0</u>	<u>(138,160)</u>
Balance 6/30/1999	<u>(\$ 83,607)</u>	<u>(\$ 59,303)</u>	<u>\$52,154</u>	<u>(\$ 90,756)</u>
Cash balance carried forward to year 2000	\$ 0	\$ 0	\$52,154	\$ 52,154

NOTE 22 - YEAR 2000 COMPLIANCE

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

Lincolnview Local School District has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary for conducting School District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the States's Education Management Information System (EMIS) and the heating system.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 22 - YEAR 2000 COMPLIANCE (Continued)

Van Wert County collects property taxes for distribution to the Lincolnview Local School District. Van Wert County is responsible for remediating the tax collection system.

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the School District through the State's Education Management and Information System (EMIS). The State is responsible for remediating these systems.

JDRM Engineering, Inc., has provided year 2000 warranty for the heating system as follows: "Vendor warrants that each good, software copy, equipment, or other deliverable provided to Owner by vendor will be year 2000 compliant, as defined below, from its delivery date through and beyond January 1, 2001. This warranty is in addition to any and all other applicable warranties proved by vendor to Owner. Year 2000 compliant means that the good, software copy, or other deliverable functions properly for Owner's intended purpose and correctly performs every date-related or date dependent operations." The Treasurer's office also utilizes an Ultra computer, "Computer & Networking Technologies, LTD. recognizes the fact that the Ultra computer from Infotel Distributing is Year 2000 Compliant."

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

NOTE 23 - SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 1999, the School District had contractual commitments for the construction of the elementary school as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining On Contract</u>
Schnippel Construction	Elementary Building	\$250,688
Frost & Company	Elementary Building	18,335
Koester Electric	Elementary Building	44,243
Cardinal Bus Sales	School Bus	59,765

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Lincolnview Local School District
Van Wert County
15945 Middle Point Road
Van Wert, Ohio 45891

To the Board of Education:

We have audited the financial statements of Lincolnview Local School District, Van Wert County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 13, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 13, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 13, 2000.

This report is intended for the information and use of the Board of Education, audit committee, and management. However, this report is a matter of public record and its distribution is not limited.

JIM PETRO
Auditor of State

January 13, 2000



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LINCOLNVIEW LOCAL SCHOOL DISTRICT

VAN WERT 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 3, 2000**