

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Newcomerstown Exempted Village School District
Tuscarawas County
702 South River Street
Newcomerstown, Ohio 43832

To the Board of Education:

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

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types 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 December 14, 1999, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



Jim Petro
Auditor of State

December 14, 1999

NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1999

	Governmental Fund Types			Proprietary Fund Types			Fiduciary Fund Types		Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General	Fixed Assets	Long-Term Obligations	
ASSETS AND OTHER DEBITS											
ASSETS:											
Equity in pooled cash and cash equivalents	\$334,418	\$289,525	\$130,578	\$46,378	\$15,682	\$7,358	\$163,153				\$987,092
Cash with fiscal agent						12,040					12,040
Investments in segregated accounts							2,201				2,201
Receivables (net of allowances of uncollectibles):											
Taxes - current & delinquent	2,169,042		121,371	41,722	1,550						2,332,135
Accounts	58,079	470			25		416				60,099
Accrued interest	1,607				24,631						2,048
Due from other governments	2,900	33,879									61,410
Prepayments	7,131										7,131
Materials and supplies inventory	22,248				10,313						32,561
Due from other funds	64,069										64,069
Interfund loan receivable	7,358										7,358
Restricted assets:											
Equity in pooled cash and cash equivalents	108,885										108,885
Property, plant and equipment (net of accumulated depreciation where applicable)					8,692				\$6,383,987		6,392,679
OTHER DEBITS:											
Amount available in debt service fund									\$149,061		149,061
Amount to be provided for retirement of general long-term obligations									1,021,049		1,021,049
Total assets and other debits	<u>\$2,775,737</u>	<u>\$323,874</u>	<u>\$251,949</u>	<u>\$88,100</u>	<u>\$60,893</u>	<u>\$19,398</u>	<u>\$165,770</u>	<u>\$1,170,110</u>	<u>\$6,383,987</u>	<u>\$1,021,049</u>	<u>\$11,239,818</u>

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

--Continued

NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
JUNE 30, 1999

	Governmental Fund Types			Proprietary Fund Types			Fiduciary Fund Types		Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations		
LIABILITIES, EQUITY AND OTHER CREDITS											
LIABILITIES:											
Accounts payable	\$78,911	\$7,682		\$5,942	\$446						\$92,981
Contracts payable				21,974							21,974
Retainage payable				3,920							3,920
Accrued wages and benefits	635,277	68,497		758	20,682						725,214
Compensated absences payable	11,005				2,410				\$368,954		382,369
Pension obligation payable	115,104	6,304			13,783				66,156		201,347
Early retirement incentive payable	10,000								20,000		30,000
Claims payable						\$124,012					124,012
Interfund loan payable						7,358					7,358
Deferred revenue	1,834,336		\$102,888	35,250	5,468		\$8				1,977,950
Due to students				64,069							64,069
General obligation bond payable							34,192		715,000		34,192
Total liabilities	2,684,633	82,483	102,888	131,913	42,789	131,370	34,200		1,170,110		4,380,386
EQUITY AND OTHER CREDITS:											
Investment in general fixed assets											
Contributed capital											
Retained earnings (accumulated deficit) unreserved					24,724	(6,620)					6,383,987
Fund balances:											
Reserved for encumbrances	104,701	13,882		13,881							132,464
Reserved for material and supplies inventory	22,248										22,248
Reserved for prepayments	7,131										7,131
Reserved for debt service				130,578							130,578
Reserved for tax revenue unavailable for appropriation	334,706										334,706
Reserved for budget stabilization	88,779			6,472							88,779
Reserved for capital acquisition	20,106										20,106
Reserved for due from other funds	64,069										64,069
Unreserved-undesignated (deficit)	(550,636)	227,509		(64,166)			131,570				(255,723)
Total equity and other credits	91,104	241,391	149,061	(43,813)	18,104	(111,972)	131,570		6,383,987		6,859,432
Total liabilities, equity and other credits	\$2,775,737	\$323,874	\$251,949	\$88,100	\$60,893	\$19,398	\$165,770		\$6,383,987		\$11,239,818

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

NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 1999

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$1,708,586		\$95,263	\$33,525		\$1,837,374
Tuition	7,124					7,124
Earnings on investments	55,323			8,620	\$131,623	195,566
Extracurricular activities		\$128,719				128,719
Other local revenues	146,118	10,533				156,651
Intergovernmental - State	4,730,576	141,597	12,220	542,043		5,426,436
Intergovernmental - Federal		635,511				635,511
Total revenue	6,647,727	916,360	107,483	584,188	131,623	8,387,381
Expenditures:						
Current:						
Instruction:						
Regular	3,202,513	157,728		155,615		3,515,856
Special	609,528	410,722				1,020,250
Vocational	185,574					185,574
Other	2,950	5,232		1,508	151	9,841
Support services:						
Pupil	283,949	19,470				303,419
Instructional staff	385,355	66,633				451,988
Board of Education	24,614					24,614
Administration	770,642	1,909		42,024		814,575
Fiscal	207,221					207,221
Operations and maintenance	848,993			573,448		1,422,441
Pupil transportation	398,866	12,282				411,148
Central		1,045				1,045
Extracurricular activities	155,425	136,068				291,493
Facilities acquisition and construction	110,358			55,255	2,146	167,759
Debt service:						
Principal retirement	7,935		55,000			62,935
Interest and fiscal charges	--365		61,817			62,182
Total expenditures	7,194,288	811,089	116,817	827,850	2,297	8,952,341
Excess (deficiency) of revenues over (under) expenditures	(546,561)	105,271	(9,334)	(243,662)	129,326	(564,960)
Other financing sources (uses):						
Operating transfers in	3,000	71		107		3,178
Operating transfers out	(178)	(3,000)				(3,178)
Proceeds from sale of assets	675					675
Total other financing sources (uses)	--3,497	(2,929)		107		675
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(543,064)	102,342	(9,334)	(243,555)	129,326	(564,285)
Fund balances, July 1	635,069	139,049	158,395	199,742	2,244	1,134,499
Decrease in reserve for inventory	(901)					(901)
Fund balances (deficit, June 30)	\$91,104	\$241,391	\$149,061	(\$43,813)	\$131,570	\$569,313

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

NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	General				Special Revenue				Debt Service				Capital Projects				Total (Memorandum only)	
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Actual	Variance: Favorable (Unfavorable)	
																		Budget
Revenues:																		
From local sources:																		
Taxes.....	\$1,963,021	\$1,963,021	\$0		\$111,404	\$111,404	\$0	\$38,704	\$38,704	\$0	\$2,113,129	\$2,113,129	\$0	\$0	\$0	\$0	\$0	
Tuition.....	7,149	7,149	0								7,149	7,149						
Earnings on investments.....	56,163	56,316	153								64,783	64,936	153				153	
Extracurricular activities.....				\$131,779	\$131,836	\$57					131,779	131,836	57				57	
Other local revenues.....	35,864	35,897	33		10,534	10,534	0				46,398	46,431	33				33	
Intergovernmental - State.....	4,733,516	4,733,516	0		141,387	141,387	0	12,220	12,220	0	5,429,167	5,429,167	0				0	
Intergovernmental - Federal.....					658,143	658,143	0				658,143	658,143	0				0	
Total revenues.....	6,795,713	6,795,899	186	941,843	941,900	57	123,624	123,624	0	589,368	589,368	0	8,450,548	8,450,791	243		243	
Expenditures:																		
Current:																		
Instruction:																		
Regular.....	3,349,790	3,180,365	169,425	336,132	151,015	185,117					163,310	163,310	(750)				353,792	
Special.....	611,203	604,651	6,552	428,947	401,233	27,714												34,266
Vocational.....	66,478	185,666	(119,188)															(119,188)
Other.....	2,000	4,177	(2,177)	9,925	5,209	4,716												3,289
Support services:																		
Payroll.....	196,564	281,842	(85,278)	24,400	24,400	0												(85,278)
Instructional staff.....	380,937	393,076	(12,139)	77,594	67,517	10,077												11,533
Board of Education.....	25,025	24,835	190															190
Administration.....	793,535	779,567	13,968	18,061	1,909	16,152												38,630
Fiscal.....	210,044	206,087	3,957															3,957
Operations and maintenance.....	972,598	885,992	86,606	15,206	12,261	2,945												206,087
Pupil transportation.....	485,448	441,857	43,591	1,100	1,045	55												43,591
Central.....	154,063	153,340	723	148,207	138,979	9,228												9,228
Extracurricular activities.....	112,280	111,378	902															902
Facilities acquisition and construction.....																		
Debt service:																		
Principal retirement.....																		
Interest and fiscal charges.....																		
Total expenditures.....	7,559,965	7,253,233	306,732	1,059,572	803,568	256,004	55,000	55,000	187,995	61,817	125,578	125,578	0	187,995	187,995	0	125,578	
Excess (deficiency) of revenues over (under) expenditures.....	(564,252)	(457,334)	106,918	(117,729)	138,332	256,061	(118,771)	6,807	(118,771)	6,807	125,578	(68,579)	(68,579)	9,430,038	9,010,303	419,735		
Other financing sources (uses):																		
Refund of prior year's expenditures.....	51,570	53,290	1,720	233	233	0												1,720
Operating transfers in.....	188,408	188,408	0	671	671	0												0
Operating transfers (out).....	(190,000)	(187,905)	2,095	(4,199)	(3,735)	464												2,095
Advances (out).....	(8,000)	(7,358)	642															642
Proceeds of sale of assets.....	190	675	485															485
Total other financing sources (uses).....	42,168	47,110	4,942	(3,295)	(2,831)	464	(5,000)	5,000	(5,000)	5,000	5,000	0	5,000	5,000	0	0	0	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses).....	(522,084)	(410,224)	111,860	(121,024)	135,501	256,525	(123,771)	6,807	(123,771)	6,807	130,578	(68,479)	(68,479)	(945,610)	(515,126)	430,484		
Fund balances, July 1.....	522,082	522,082	0	111,599	111,599	0	123,771	123,771	0	149,333	149,333	0	906,785	906,785	0		0	
Prior year encumbrances appropriated.....	205,460	205,460	0	20,886	20,886	0	0	0	0	44,698	44,698	0	271,044	271,044	0		0	
Fund balances, June 30.....	\$205,458	\$317,318	\$111,860	\$11,461	\$267,986	\$256,525	\$0	\$120,578	\$120,578	\$15,300	\$33,179	(\$68,479)	(\$68,479)	\$232,219	\$662,702	\$40,484		

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

NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Operating revenues:			
Tuition and fees	\$21,801		\$21,801
Sales/charges for services	194,352	-\$747,608	941,960
Other operating revenues		183	183
Total operating revenues	216,153	747,791	963,944
Operating expenses:			
Personal services	175,082	54,625	229,707
Contract services	4,413		4,413
Materials and supplies	233,893		233,893
Depreciation	1,515		1,515
Claims expense		774,793	774,793
Other operating expenses	647		647
Total operating expenses	415,550	829,418	1,244,968
Operating loss	(199,397)	(81,627)	(281,024)
Nonoperating revenues:			
Operating grants	173,403		173,403
Federal commodities	25,105		25,105
Interest revenue	105	1,418	1,523
Total nonoperating revenues	198,613	1,418	200,031
Net loss	(784)	(80,209)	(80,993)
Retained earnings (accumulated deficit), July 1 (restated)	(5,836)	(31,763)	(37,599)
Retained earnings (accumulated deficit), June 30	(\$6,620)	(\$111,972)	(\$118,592)

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

NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from tuition and fees	\$22,026		\$22,026
Cash received from sales/service charges	192,802	\$747,608	940,410
Cash received from other operations		183	183
Cash payments for personal services	(175,202)	(54,625)	(229,827)
Cash payments for contract services	(3,967)		(3,967)
Cash payments materials and supplies	(208,788)		(208,788)
Cash payments for claims expenses		(781,683)	(781,683)
Cash payments for other expenses	(647)		(647)
Net cash used in operating activities	<u>(173,776)</u>	<u>(88,517)</u>	<u>(262,293)</u>
Cash flows from noncapital financing activities:			
Cash received from operating grants	173,916	7,358	181,274
Net cash provided by noncapital financing activities	<u>173,916</u>	<u>7,358</u>	<u>181,274</u>
Cash flows from investing activities:			
Interest received	80	1,418	1,498
Net cash provided by investing activities	<u>80</u>	<u>1,418</u>	<u>1,498</u>
Net increase (decrease) in cash and cash equivalents	220	(79,741)	(79,521)
Cash and cash equivalents at beginning of year	15,462	99,139	114,601
Cash and cash equivalents at end of year	<u>\$15,682</u>	<u>\$19,398</u>	<u>\$35,080</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	(\$199,397)	(\$81,627)	(\$281,024)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	1,515		1,515
Federal donated commodities	25,105		25,105
Changes in assets and liabilities:			
Increase in materials and supplies inventory	(296)		(296)
Increase in accounts receivable	(1,325)		(1,325)
Increase in accounts payable	446		446
Increase in accrued wages and benefits	594		594
Decrease in compensated absences payable	(2,740)		(2,740)
Increase in pension obligation payable	2,026		2,026
Decrease in claims payable		(6,890)	(6,890)
Increase in deferred revenue	296		296
Net cash used in operating activities	<u>(\$173,776)</u>	<u>(\$88,517)</u>	<u>(262,293)</u>

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

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The School District was established in 1856 through the consolidation of existing land areas and school districts. The School District is staffed by 51 non-certificated employees, 106 certificated full-time teaching personnel and 8 administrative employees who provide services to 1,351 students and other community members. The School District currently operates 4 instructional buildings, 1 administrative building, and 1 garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the 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 as follows:

A. Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the GPFS 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 the School District, this includes general operations, food service, and student related activities.

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 has no component units. The following organizations are described due to their relationship to the School District:

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

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

JOINTLY GOVERNED ORGANIZATIONS

Buckeye Career Center

The Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Career Center's Board of Education is comprised of representatives from the Board of Education of each participating school district. The Career Center's Board of Education is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. The School District's students may attend the Career Center. Each participating School District's control is limited to its representation on the Career Center's Board of Education.

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA)

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) is a not-for-profit computer service organization whose primary function is to provide information technology services to its member school districts with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by the OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records, and test scoring.

OME-RESA is one of twenty-five regional service organizations serving over 600 public school districts in the State of Ohio that make up the Ohio Educational Computer Network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code, and their member school districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio school districts.

Major funding for this network is derived from the State of Ohio. In addition, a majority of the software utilized by the OME-RESA is developed by the ODE.

OME-RESA is owned and operated by forty-nine member school districts in ten different Ohio counties. The member school districts are comprised of public school districts and county boards of education. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a board of directors which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the board of directors.

The OME-RESA is located in the Jefferson County School building in Steubenville, Ohio. The Jefferson County School is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA.

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

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

Tuscarawas County Tax Incentive Review Council

The Tuscarawas County Tax Incentive Review Council (TCTIRC) is a jointly governed organization, created as a regional council of governments pursuant to State Statutes. TCTIRC has 22 members, consisting of three members appointed by the County Commissioners, four members appointed by municipal corporations, six members appointed by township trustees, one member from the county auditor's office and eight members appointed by boards of education located within the county. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of this council. The continued existence of the TCTIRC is not dependent on the School District's continued participation and no equity interest exists.

The School District does not retain an ongoing financial interest or an ongoing financial responsibility with any of these organizations.

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

B. 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 YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (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 GPFS 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) 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 - The Special Revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

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

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

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

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

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 - The 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.

Internal Service Fund - The Internal Service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

FIDUCIARY FUND TYPES

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include an expendable trust fund and an agency fund. The expendable trust fund is accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. See Note 3 for agency fund accruals which, in other fund types, would be subject to accrual.

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 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 funds.

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

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

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and the 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 combined 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 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 combined balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary 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 GPFS. Basis of accounting relates to the timing of the measurements made.

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

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

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

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. 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 on the combined balance sheet.

D. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The School District's "legal level" of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

Tax Budget:

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (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 must be legally enacted by the Board of Education at the fund level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the Annual Appropriation Resolution, the Board of Education 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 of Education 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. Supplemental appropriations were legally enacted by the Board during fiscal 1999.

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.

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

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

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 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 Note 13 to the GPFS for proprietary funds.

Lapsing of Appropriations:

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

E. Cash and Investments

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

During fiscal year 1999, investments were limited to a nonnegotiable certificate of deposit and a repurchase agreement. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The certificate of deposit maintained in the Claude Hinds Memorial Fund and is reflected on the combined balance sheet as "Investments in Segregated Accounts". This investment had a maturity of one year from the date of purchase.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the General Fund, the Capital Projects Elevator Grant and the Capital Projects Emergency School Building Repair funds and the Expendable Trust funds. The Food Service Enterprise fund receives interest earnings based upon Federal mandate and the Internal Service Self-Insurance fund receives interest earnings as the amount is held by a fiscal agent in an interest bearing account separate from the School District's internal investment pool. The following funds were credited with more interest revenue than would have been received based upon their share of the School District's investments during fiscal 1999:

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

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

	<u>Interest Actually Received</u>	<u>Interest Based Upon Share of Investments</u>	<u>Interest Assigned By Other Funds</u>
General Fund	\$55,323	\$31,992	\$23,331
<u>Capital Projects Funds</u>			
Elevator Grant Fund	1,152	0	1,152
Emergency School Building Repair Fund	7,468	0	7,468

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.

An analysis of the School District's investments at year end is provided in Note 4.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

G. 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.

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

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

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.

H. 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

Non-Reimbursable Grants

Special Revenue Funds

- Venture Capital
- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- Title I
- Title VI
- Professional Development Block Grant
- Learn and Serve American Grant
- Venture Partner Grant
- Textbook/Instructional Materials Subsidy
- State Entry Year Program
- Title VI-B
- School to Work Grant
- Raising the Bar Grant

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

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

Capital Projects Funds

Technology Equity
Middle School Elevator Grant
Emergency School Building Repair

Reimbursable Grants

General Fund

Driver Education Reimbursement

Proprietary Funds

National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grants and entitlements amounted to approximately 65 percent of the School District's operating revenue during the 1999 fiscal year.

I. Compensated Absences

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

J. 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. In general, payments made more than 60 days after year end are considered not to have been made with current available financial resources. Bonds and capital leases 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.

K. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable and payable". The School District had short-term interfund loans receivable or payable at June 30, 1999.

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

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

4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The School District had no long-term advances receivable or payable at June 30, 1999.
5. Short-term interfund transactions, related to fund overdrafts of the internal investment pool, are reflected as "due to/from other funds".

At year end, transfers in and transfers out and advances in and advances out on a budgetary basis do not balance by \$2,454 and \$7,358, respectively, because these transfers and advances occurred within Agency and Proprietary funds which are not disclosed. An analysis of interfund transactions is presented in Note 5.

L. 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, tax advance unavailable for appropriation, prepayments, debt service, inventories of materials and supplies, budget stabilization, capital acquisition and due from other funds. The reserve for property tax advance unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under State statute.

M. Prepays

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

N. Contributed Capital

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

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

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

Because the School District did not prepare GPFS in accordance with GAAP prior to fiscal year 1996, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined GPFS. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings. During fiscal year 1999, there was no change to contributed capital.

O. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents set aside to establish a budget stabilization and capital acquisition reserve. These reserves are required by State statute. The budget stabilization reserve can be used only after receiving approval from the State Superintendent of Public Instruction. Fund balance reserves have also been established. See Note 18 for detail of statutory reserves.

P. Estimates

The preparation of the GPFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the GPFS and accompanying notes. Actual results may differ from those estimates.

Q. Total Columns on General Purpose Financial Statements

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustment

During fiscal year 1999, the School District changed its fixed asset policy. The new policy does not include assets purchased in units that, if purchased separately, would be less than the capitalization threshold. This change in policy effects the balance in the General Fixed Assets Account Group (See Note 8) and the retained earnings in the Enterprise funds. The prior period adjustment had the following effect on retained earnings as previously reported as of June 30, 1998 as follows:

	<u>Enterprise</u>
Retained earnings as previously reported	\$2,355
Restatement for change in fixed asset policy	<u>(8,191)</u>
Restated retained earnings (accumulated deficit) as of July 1, 1998	<u><u>\$(5,836)</u></u>

B. Deficit Fund Balances/Retained Earnings

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

	<u>Deficit Balance</u>
<u>Special Revenue Fund</u>	
Disadvantaged Pupil Impact Aid	\$ (1,342)
<u>Capital Projects Funds</u>	
Middle School Elevator Grant	(21,507)
Emergency School Building Repair	(42,562)
<u>Enterprise Fund</u>	
Food Service	(12,321)
<u>Internal Service Fund</u>	
Employee Benefits - Self Insurance	(111,972)

These funds complied with Ohio state law which does not permit a cash basis deficit at year end.

The deficit fund balance in the Disadvantaged Pupil Impact Aid Special Revenue fund is caused by the application of GAAP, namely in the reporting of a liability for accrued wages attributable to the fiscal year. This deficit balance will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The Middle School Elevator Grant and Emergency School Building Repair Capital Projects funds did not comply with State law which does not allow for cash basis deficit at year end. The deficit fund balances will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

The deficit retained earnings in the Food Service Enterprise fund is due to the reporting of accrued wages, benefit and retirement obligations in accordance with GAAP. This deficit will be funded by user charges and other subsidies not recognized and recorded at June 30.

The deficit retained earnings in the Internal Service Employee Benefits Self-Insurance Fund is a result of the application of GAAP, namely in the recognition of incurred but not paid and incurred but not reported claims as a fund liability. This deficit will be eliminated as premiums are received to pay these claims.

C. Compliance

1. Contrary to Ohio Rev. Code Section 5705.10, the School District had negative cash balances in the Capital Projects Middle School Elevator Grant and the Capital Projects Emergency Building Repairs funds of \$21,507 and \$42,562, respectively. For GAAP purposes, these amounts have been reported as fund liabilities of the capital project funds.
2. Contrary to Ohio Rev. Code Section 5705.41(B), the following funds had expenditures in excess of appropriations at the legal level of control for the fiscal year ended June 30, 1999:

Fund Type <u>Fund/Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>Capital Projects</u>			
Middle School Elevator Grant Fund	\$83,742	\$111,343	\$27,601
Emergency School Building Repair Fund	457,468	500,030	42,562

D. Agency Funds

The following are accruals for the agency fund, which, in another fund type, would be recognized in the combined balance sheet:

<u>LIABILITIES</u>	
Accounts payable	\$1,377

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

The School District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the School District into three categories:

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

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

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

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

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

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

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

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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 Treasury Asset Reserve of Ohio (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 monies available for investment at any one time; and

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

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

Cash with Fiscal Agent: The School District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 1999, was \$12,040.

The following information classifies equity in pooled cash and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits: At year end, the carrying amount of the District's deposits (including a non-negotiable certificate of deposit) was \$65,758 and the bank balance (including a non-negotiable certificate of deposit) was \$131,986. Of the bank balance:

1. \$100,000 was covered by federal depository insurance.
2. \$31,986 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money has been followed, non compliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

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

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

Collateral is required for demand deposits and certificates of deposits in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Investments: 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 securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the School District's name.

	Category <u>2</u>	Reported <u>Amount</u>	Fair <u>Value</u>
Repurchase agreements	<u>\$1,032,420</u>	<u>\$1,032,420</u>	<u>\$1,032,420</u>

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9.

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$1,108,017	\$ 2,201
Investments of the cash management pool:		
Certificate of deposit with an original maturity greater than three months	2,201	(2,201)
Repurchase agreements	(1,032,420)	1,032,420
Cash with fiscal agent	<u>(12,040)</u>	<u>---</u>
GASB Statement No. 3	<u>\$ 65,758</u>	<u>\$1,032,420</u>

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

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a summarized breakdown of the School District's interfund loans receivable and payable for fiscal year 1999:

	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
General Fund	\$ 7,358	\$ ---
<u>Internal Service Funds</u>		
Employee Benefit Self-Insurance Fund	<u>---</u>	<u>(7,358)</u>
Totals	<u>\$ 7,358</u>	<u>\$ (7,358)</u>

B. The following is a summarized breakdown of the School District's operating transfers for fiscal year 1999:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 3,000	\$ (178)
<u>Special Revenue Funds</u>		
Venture Capital	41	---
District Managed Student Activity	30	(3,000)
<u>Capital Projects Funds</u>		
SchoolNet	<u>107</u>	<u>---</u>
Totals	<u>\$ 3,178</u>	<u>\$ (3,178)</u>

C. At June 30, 1999, the Capital Projects Middle School Elevator Grant and the Capital Projects Emergency School Building Repair funds had negative cash balances. The fund overdrafts of the internal investment pool have been reported as a fund liability:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$64,069	\$ ---
<u>Capital Projects Funds</u>		
Middle School Elevator Grant	---	(21,507)
Emergency School Building Repair	<u>---</u>	<u>(42,562)</u>
Totals	<u>\$64,069</u>	<u>\$(64,069)</u>

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

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the 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 assessed value upon which the 1998 taxes were collected was \$72,203,152. Agricultural/Residential and minerals real estate represented 59.45% or \$42,919,330 of this total; Commercial & Industrial real estate represented 14.12% or \$10,195,740 of this total, public utility tangible represented 13.64% or \$9,850,595 of this total and general tangible property represented 12.79% or \$9,237,487 of this total. The voted general tax rate at the fiscal year ended June 30, 1999 was \$42.60 per \$1,000 of assessed valuation for operations, \$1.00 per \$1,000 of assessed valuation for permanent improvements and \$2.00 per \$1,000.00 of assessed valuation for debt service.

The School District receives property taxes from Tuscarawas, Coshocton and Guernsey Counties. The County Auditors periodically advance 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, and recorded as revenue, at June 30, 1999, was \$334,706 in the General Fund, \$18,483 in the Debt Service Fund and \$6,472 in the Capital Projects Permanent Improvement Fund.

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

NOTE 6 - PROPERTY TAXES - (Continued)

Taxes available for advance and recognized as revenue but not received by the School District prior to June 30, 1999, are reflected as a reservation of fund balance for tax advance unavailable for appropriation. The School District is prohibited, by law, from appropriating this revenue in accordance with Ohio Rev. Code Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999, consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, interfund loans, and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and amounts due from other funds. Intergovernmental receivables have been reported as "due from other governments" on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of Federal funds. A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$2,169,042
Accounts	58,079
Due from other governments	2,900
Due from other funds	64,069
 <u>Special Revenue Funds</u>	
Due from other governments	33,879
 <u>Debt Service Fund</u>	
Taxes - current and delinquent	121,371
 <u>Capital Projects Fund</u>	
Taxes - current and delinquent	41,722
 <u>Enterprise Funds</u>	
Accounts	1,550
Due from other governments	24,631

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

NOTE 8 - FIXED ASSETS

A. A summary of the Enterprise Funds' fixed assets at June 30, 1999, as follows:

Furniture and equipment	\$ 44,861
Less accumulated depreciation	<u>(36,169)</u>
Net fixed assets	<u>\$ 8,692</u>

B. The General Fixed Assets Account Group has been re-stated as of July 1, 1998 due to the change in the School District's fixed asset policy.

<u>Asset Category</u>	<u>Balance 6/30/98</u>	<u>Restatement</u>	<u>Restated Balance 7/1/98</u>
Land and improvements	\$ 116,320	\$ ---	\$ 116,320
Building and improvements	3,561,734	---	3,561,734
Furniture, fixtures and equipment	1,513,412	(204,861)	1,308,551
Vehicles	<u>650,051</u>	<u>---</u>	<u>650,051</u>
Totals	<u>\$5,841,517</u>	<u>\$(204,861)</u>	<u>\$5,636,656</u>

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

<u>Asset Category</u>	<u>Restated Balance 7/1/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/99</u>
Land and improvements	\$ 116,320	\$ 30,608	\$ ---	\$ 146,928
Building and improvements	3,561,734	610,718	---	4,172,452
Furniture, fixtures and equipment	1,308,551	277,174	(171,169)	1,414,556
Vehicles	<u>650,051</u>	<u>---</u>	<u>---</u>	<u>650,051</u>
Totals	<u>\$5,636,656</u>	<u>\$918,500</u>	<u>\$(171,169)</u>	<u>\$6,383,987</u>

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

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

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

General fixed assets consisting of equipment has been capitalized in the General Fixed Assets Account Group in the amount of \$68,878. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1999 totaled \$7,935 in the governmental funds. These capital leases expired in fiscal year 1999.

The School District does not have a capitalized lease obligation after fiscal year 1999.

NOTE 10 - LONG-TERM OBLIGATIONS

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

	Balance Outstanding <u>7/1/98</u>	<u>Additions</u>	<u>Deductions</u>	Balance Outstanding <u>6/30/99</u>
High School General Obligation Bond 1989 8.0%	\$ 770,000	\$ ---	\$ (55,000)	\$ 715,000
Capital leases	7,935	---	(7,935)	0
Pension obligation	57,008	66,156	(57,008)	66,156
Early retirement incentive	0	40,000	(20,000)	20,000
Compensated absences	<u>351,541</u>	<u>62,571</u>	<u>(45,158)</u>	<u>368,954</u>
Total general long-term obligations	<u>\$1,186,484</u>	<u>\$168,727</u>	<u>\$(185,101)</u>	<u>\$1,170,110</u>

High School General Obligation Bond - The School District issued the voted general obligation bond for the purpose of constructing a high school building. The bond was issued for a twenty year period with final maturity at December 1, 2012. The bonds will be retired from the Debt Service Fund.

Compensated absences, pension obligations and early retirement incentive payments will be paid from the fund from which the employees' salaries are paid.

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

B. Principal and interest requirements to retire the general obligation bond outstanding at June 30, 1999, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 55,000	\$ 55,000	\$ 110,000
2001	55,000	50,600	105,600
2002	55,000	46,200	101,200
2003	55,000	41,800	96,800
2004	55,000	37,400	92,400
2005 - 2009	275,000	121,000	396,000
2010 - 2012	<u>165,000</u>	<u>19,800</u>	<u>184,800</u>
Total	<u>\$715,000</u>	<u>\$371,800</u>	<u>\$1,086,800</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District. The effects of these debt limitations at June 30, 1999 are a voted debt margin of \$5,932,345 (including available funds of \$149,061) and an unvoted debt margin of \$72,203.

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days for all personnel. Upon retirement, payment is made for one-fourth of the accrued, but unused, sick leave balance to a maximum of 50 days for all employees.

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

NOTE 11 - EMPLOYEE BENEFITS - (Continued)

B. Early Retirement Incentive

The School District provides an early retirement incentive plan for STRS employees who elect to retire within 30 days after the end of the school year in which he/she becomes eligible for retirement under STRS criteria. This is a one time opportunity for those eligible in fiscal years 1999 and 2000. Employees who enroll in the early retirement incentive plan must submit written notification to the Board on or before the May Board meeting of 1999 and 2000. The one time cash payment of \$10,000 shall be made within 30 days of the retirement date or on January 2 of the following year. Four employees took advantage of the early retirement incentive.

C. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to employees through Medical Life Insurance Company in the amount of \$30,000.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Utica National for property insurance, and Nationwide Insurance for fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Nationwide Insurance are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	100% Blanket
Inland Marine Coverage (\$250 deductible)	\$ 1,050,000
Boiler and Machinery (\$1,000 deductible)	6,824,000
Automobile Liability (no deductible)	2,000,000
Professional Liability:	
Per Occurrence	2,000,000
Per Aggregate	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

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

NOTE 12 - RISK MANAGEMENT - (Continued)

B. Worker's Compensation

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (WCGRP), an insurance purchasing pool (see Note 2.A.). The intent of the WCGRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the WCGRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the WCGRP. Each participant pays its workers' compensation premium to the State based on the rate for the WCGRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the WCGRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the WCGRP. Participation in the WCGRP is limited to school districts that can meet the WCGRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the WCGRP.

C. Employee Group Life, Medical, Dental, and Vision Insurance

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The School District is a member of a claims servicing pool, consisting of several school districts within the County, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$124,012 reported in the internal service fund at June 30, 1999, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," as amended by GASB Statement No. 30, "Risk Financing Omnibus," which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims</u>	<u>Payments</u>	<u>Ending Balance</u>
1999	\$130,902	\$783,273	\$790,163	\$124,012
1998	140,043	712,864	722,005	130,902

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

NOTE 13 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two Enterprise funds to account for the operations of Food Service and Uniform School Supplies. The following table reflects 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>Total Enterprise Funds</u>
Operating revenues	\$194,352	\$21,801	\$216,153
Operating expenses less depreciation	386,431	27,604	414,035
Depreciation expense	1,515	---	1,515
Operating loss	(193,594)	(5,803)	(199,397)
Donated commodities	25,105	---	25,105
Operating grants	173,403	---	173,403
Net income (loss)	5,019	(5,803)	(784)
Net working capital	12,014	5,701	17,715
Total assets	55,192	5,701	60,893
Total liabilities	42,789	---	42,789
Contributed capital	24,724	---	24,724
Total equity	12,403	5,701	18,104
Encumbrances outstanding at June 30, 1999	3,084	117	3,201

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board (SERB). 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 GPFS 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 of annual covered salary; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERB 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 \$130,484, \$125,869, and \$133,389, respectively. Of the contribution requirement, 33 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$88,224, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes GPFS 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 of annual covered salary; 6 percent was the portion used 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 \$495,310, \$489,031, and \$498,737, respectively. Of the contribution requirement, 81 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$94,600, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations.

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

C. Social Security System

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

NOTE 15 - 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, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of 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 this fiscal year, the Board allocated employer contributions to the Health Care Reserve Fund equaled 3.5 percent of covered payroll. For the School District, this amount equaled \$283,034 during fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.156 billion at June 30, 1998 (the latest information available). For the year ended June 30, 1998 (the latest information available), net health care costs paid by STRS were \$219.224 million 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, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the 1999 fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll, an increase from 4.21 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

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

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 (the latest information available) were \$111.9 million and the target level was \$139.9 million. At June 30, 1998 (the latest information available), SERS had net assets available for payment of health care benefits of \$160.3 million and SERS had approximately 50,000 participants receiving health care benefits. For the School District, the amount to fund health care benefits, including surcharge, equaled \$86,426 during the 1999 fiscal year.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of 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 and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

**Excess (Deficiency) of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$(410,224)	\$135,501	\$ 6,807	\$(247,210)
Net adjustment for revenue accruals	(148,172)	(25,540)	(16,141)	(5,180)
Net adjustment for expenditure accruals	(130,926)	(29,061)	---	(26,652)
Net adjustment for other financing sources (uses) accruals	(43,613)	(98)	---	---
Encumbrances (budget basis)	<u>189,871</u>	<u>21,540</u>	<u>---</u>	<u>35,487</u>
GAAP basis	<u><u>\$(543,064)</u></u>	<u><u>\$102,342</u></u>	<u><u>\$(9,334)</u></u>	<u><u>\$(243,555)</u></u>

NOTE 17 - CONTINGENCIES

A. Grants

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

B. Litigation

The School District is involved in no material litigation as either plaintiff or defendant.

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

NOTE 17 - CONTINGENCIES - (Continued)

C. State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the District received \$4,128,568 of total school foundation support for its General Fund.

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

In addition, the Court declared the classroom facilities program unconstitutional because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided grant money to build schools and furnish classrooms. As of June 30, 1999, the School District had received a total of \$82,590 under this program.

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.

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

NOTE 18 - STATUTORY RESERVES

The School District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 1998	\$ 0	\$ 0	\$41,643
Current year set-aside requirement	94,272	94,272	47,136
Current year offsets	(17,466)	(41,630)	0
Qualifying disbursements	<u>(93,959)</u>	<u>(32,536)</u>	<u>0</u>
Total	<u>\$(17,153)</u>	<u>\$20,106</u>	<u>\$88,779</u>
Cash balance carried forward to FY 2000	<u>\$ 0</u>	<u>\$ 20,106</u>	<u>\$88,779</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 1999 follows:

Amount restricted for budget stabilization	\$ 88,779
Amount restricted for capital acquisition	<u>20,106</u>
Total restricted assets	<u>\$108,885</u>

NOTE 19 - YEAR 2000 ISSUE

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

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

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

NOTE 19 - YEAR 2000 ISSUE - (Continued)

The School District uses the State of Ohio Uniform School Accounting System software for its financial reporting, the State of Ohio Uniform School Payroll System software for its payroll and employee benefits, the State of Ohio Equipment Inventory System for its fixed assets accounting and the State of Ohio Education Management and Information System (EMIS) for its education statistics reporting. The State is responsible for remediating these systems.

The School District obtains services from outside vendors including utilities whose systems have been identified as mission critical to the School District. Vendors are responsible for remediating their systems and are solely responsible for any associated costs.

Tuscarawas, Coshocton and Guernsey counties collect property taxes for distribution to the School District. Those counties are responsible for remediating the tax collection systems.

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 EMIS. The State is responsible for remediating these systems.

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

NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY

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

Federal/Grantor Sub Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. Department of Education</u>						
Passed through the Ohio Department of Education:						
Title I - Grants to Local Educational Agencies	84.010	C1S199	\$341,663	\$0	\$312,153	\$0
		C1S198	56,511	0	73,159	0
Total Title I - Grants to Local Educational Agencies			398,174	0	385,312	0
Special Education Grants to States	84.027	6BSF99	75,144	0	64,866	0
		6BSF98	0	0	10,770	0
Total Special Education Grants to States			75,144	0	75,636	0
Innovative Education Program Strategies	84.298	C2S198	4,825	0	0	0
Learn and Serve America School and Community Based	94.004	SVSI99	30,000	0	23,391	0
		SVSI98	0	0	7,712	0
		SVSI97	0	0	1,394	0
Total Learn and Serve America School and Community Based			30,000	0	32,497	0
Employment Services and Job Training Pilot and Demonstration Program	17.249	WKBE98	11,958	0	5,547	0
Telecom E-rate	84.XXX	N/A	1,719	0	0	0
Technology Literacy Challenge Fund Grants	84.318	TF3198	150,000	0	0	0
Total U.S. Department of Education			671,820	0	498,992	0
<u>U.S. Department of Agriculture</u>						
Passed through the Ohio Department of Education:						
Child Nutrition Cluster:						
National School Lunch Program	10.555	N/A	133,378	0	133,378	0
National School Breakfast Program	10.553	N/A	28,259	0	28,259	0
Food Distribution Program	10.550	N/A	0	25,401	0	25,105
Total U.S. Department of Agriculture - Child Nutrition Cluster			161,637	25,401	161,637	25,105
Total			\$833,457	\$25,401	\$660,629	\$25,105

The accompanying notes are an integral part of this statement.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 1999, the District had food commodities valued at \$5,468 in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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

Board of Education
Newcomerstown Exempted Village School District
Tuscarawas County
702 South River Street
Newcomerstown, Ohio 43832

To the Board of Education:

We have audited the financial statements of Newcomerstown Exempted Village School District, Tuscarawas County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 14, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-11279-001 and 1999-11279-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 14, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control 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 December 14, 1999.

Newcomerstown Exempted Village School District
Tuscarawas County
Report on Compliance and on Internal Control Required By
Government Auditing Standards
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro", written over a horizontal line.

Jim Petro
Auditor of State

December 14, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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

Board of Education
Newcomerstown Exempted Village School District
Tuscarawas County
702 South River Street
Newcomerstown, Ohio 43832

To the Board of Education:

Compliance

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

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

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

Internal Control Over Compliance

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

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

However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report, the we have reported to management of the District in a separate letter dated December 14, 1999.

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



Jim Petro
Auditor of State

December 14, 1999

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

JUNE 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS

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

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

Noncompliance

Finding Number	1999-11279-001
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Ohio Rev. Code Section 5705.10 states in part, that money paid into any fund shall be used only for the purpose for which such fund is established. The School District had the following cash fund deficits at June 30, 1999:

<u>Capital Project Funds</u>	
Middle School Elevator Grant Fund	\$21,507
Emergency School Building Repair Fund	42,562

Negative cash balances indicate money from another fund was used to pay for obligations of these funds. The Treasurer should consider advancing money into the fund to cover the obligations until grant money is received.

Finding Number	1999-11279-002
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Ohio Rev. Code Section 5705.41(B) provides that no subdivision or taxing unit shall make any expenditure of money unless it has been properly appropriated.

The School District did not appropriate for grant monies from the Emergency Building Repairs or the Classroom Facilities Programs; consequently, expenditures exceeded appropriations by \$27,601 (33% of approved appropriations) and \$42,562 (9% of approved appropriations) in the Capital Projects Middle School Elevator Grant Fund and Capital Projects Emergency School Building Repair Fund, respectively. The School District should appropriate for grant monies accordingly.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT, TUSCARAWAS 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.

By: *Susan Babbitt*
Clerk of the Bureau

Date: **JAN 11 2000**