



**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Tecumseh Local School District
Clark County
9760 West National Road
New Carlisle, Ohio 45344

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Tecumseh Local School District, Clark County, (the District) as of and for the year ended June 30, 2000, 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 Tecumseh Local School District, Clark County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

JIM PETRO
Auditor of State

November 28, 2000

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**TECUMSECH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS
Assets and Other Debits			
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$4,601,988	\$552,444	\$700,834
Cash and Cash Equivalents:			
In Segregated Accounts	0	2,500	0
With Fiscal Agent	0	1,671	0
Investments	0	0	0
Receivables:			
Property and Other Taxes	7,396,570	0	626,853
Accounts	96,135	319	0
Intergovernmental	4,262	1,729	0
Accrued Interest	12,113	0	0
Interfund	80,000	0	0
Prepaid Items	35,604	0	0
Inventory of Supplies and Materials	165,441	0	0
Inventory Held for Resale	0	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	403,422	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
Other Debits:			
Amount to be Provided for Retirement of General Long-Term Debt	0	0	0
Total Assets and Other Debits	\$12,795,535	\$558,663	\$1,327,687
Liabilities, Fund Equity and Other Credits			
Liabilities:			
Accounts Payable	\$125,994	\$38,996	\$14,664
Contracts Payable	1,235	0	195,359
Accrued Wages and Benefits Payable	1,904,891	92,473	0
Intergovernmental Payable	417,319	31,294	45
Interfund Payable	0	30,000	50,000
Due to Students	0	0	0
Deferred Revenue	5,674,966	0	454,361
Compensated Absences Payable	40,350	5,467	0
Accrued Interest Payable	0	0	9,042
Energy Conservation Notes Payable	0	0	273,000
Early Retirement Incentive Payable	0	0	0
Total Liabilities	8,164,755	198,230	996,471
Fund Equity and Other Credits:			
Investment in General Fixed Assets	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balance:			
Reserved for Encumbrances	353,342	90,376	315,260
Reserved for Inventory of Supplies and Materials	165,441	0	0
Reserved for Property Taxes	1,742,173	0	172,492
Reserved for Budget Stabilization	303,284	0	0
Reserved for Textbooks/Instructional Materials	100,138	0	0
Reserved for Contributions to Nonexpendable Trust Fund	0	0	0
Unreserved, Undesignated (Deficit)	1,966,402	270,057	(156,536)
Total Fund Equity and Other Credits	4,630,780	360,433	331,216
Total Liabilities, Fund Equity and Other Credits	\$12,795,535	\$558,663	\$1,327,687

See Accompanying Notes to the General Purpose Financial Statements

PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
		GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	
ENTERPRISE	TRUST AND AGENCY			
\$160,896	\$53,022	\$0	\$0	\$6,069,184
0	0	0	0	2,500
0	0	0	0	1,671
0	2,000	0	0	2,000
0	0	0	0	8,023,423
667	0	0	0	97,121
0	0	0	0	5,991
0	0	0	0	12,113
0	0	0	0	80,000
0	0	0	0	35,604
6,664	0	0	0	172,105
41,891	0	0	0	41,891
0	0	0	0	403,422
89,130	0	15,216,662	0	15,305,792
0	0	0	1,830,252	1,830,252
<u>\$299,248</u>	<u>\$55,022</u>	<u>\$15,216,662</u>	<u>\$1,830,252</u>	<u>\$32,083,069</u>
\$892	\$0	\$0	\$0	\$180,546
0	0	0	0	196,594
94,107	0	0	0	2,091,471
43,535	0	0	227,624	719,817
0	0	0	0	80,000
0	53,022	0	0	53,022
34,464	0	0	0	6,163,791
40,802	0	0	1,400,628	1,487,247
0	0	0	0	9,042
0	0	0	0	273,000
0	0	0	202,000	202,000
<u>213,800</u>	<u>53,022</u>	<u>0</u>	<u>1,830,252</u>	<u>11,456,530</u>
0	0	15,216,662	0	15,216,662
85,448	0	0	0	85,448
0	0	0	0	758,978
0	0	0	0	165,441
0	0	0	0	1,914,665
0	0	0	0	303,284
0	0	0	0	100,138
0	2,000	0	0	2,000
0	0	0	0	2,079,923
<u>85,448</u>	<u>2,000</u>	<u>15,216,662</u>	<u>0</u>	<u>20,626,539</u>
<u>\$299,248</u>	<u>\$55,022</u>	<u>\$15,216,662</u>	<u>\$1,830,252</u>	<u>\$32,083,069</u>

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	TOTAL (MEMORANDUM ONLY)
Revenues:				
Property and Other Taxes	\$7,641,221	\$0	\$654,954	\$8,296,175
Tuition and Fees	193,160	0	0	193,160
Interest	353,229	793	14,899	368,921
Intergovernmental	13,444,597	1,501,154	212,286	15,158,037
Extracurricular Activities	0	213,126	0	213,126
Gifts and Donations	0	11,259	0	11,259
Rent	1,750	0	0	1,750
Miscellaneous	4,415	6,481	825	11,721
Total Revenues	21,638,372	1,732,813	882,964	24,254,149
Expenditures:				
Current:				
Instruction:				
Regular	9,908,671	625,224	148,553	10,682,448
Special	1,400,857	389,099	0	1,789,956
Vocational	459,044	0	0	459,044
Support Services:				
Pupils	1,136,357	217,869	359	1,354,585
Instructional Staff	727,545	266,544	4,937	999,026
Board of Education	44,253	0	0	44,253
Administration	2,227,355	124,513	10,621	2,362,489
Fiscal	413,572	1,160	12,107	426,839
Business	24,011	0	0	24,011
Operation and Maintenance of Plant	2,110,292	33,505	538,097	2,681,894
Pupil Transportation	1,318,810	1,781	85,181	1,405,772
Central	25,100	36	0	25,136
Operation of Non-Instructional Services	0	1,446	0	1,446
Extracurricular Activities	299,298	115,317	0	414,615
Capital Outlay	5,265	0	22,597	27,862
Debt Service:				
Interest and Fiscal Charges	0	0	11,800	11,800
Total Expenditures	20,100,430	1,776,494	834,252	22,711,176
Excess of Revenues Over (Under) Expenditures	1,537,942	(43,681)	48,712	1,542,973
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets	96	0	0	96
Operating Transfers - In	393	0	0	393
Operating Transfers - Out	(105,609)	(393)	0	(106,002)
Total Other Financing Sources (Uses)	(105,120)	(393)	0	(105,513)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,432,822	(44,074)	48,712	1,437,460
Fund Balances at Beginning of Year	3,168,115	404,507	282,504	3,855,126
Increase in Reserve for Inventory	29,843	0	0	29,843
Fund Balances at End of Year	\$4,630,780	\$360,433	\$331,216	\$5,322,429

See Accompanying Notes to the General Purpose Financial Statements

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TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:						
Property and Other Taxes	\$6,894,832	\$7,177,010	\$282,178			
Tuition and Fees	160,962	167,550	6,588			
Interest	345,750	359,900	14,150	\$793	\$793	\$0
Intergovernmental	12,916,707	13,445,336	528,629	1,531,888	1,475,539	(56,349)
Extracurricular Activities				217,369	217,424	55
Gifts and Donations				11,255	11,259	4
Rent	1,681	1,750	69			
Miscellaneous	1,747	1,819	72	6,371	6,372	1
Total Revenues	<u>20,321,679</u>	<u>21,153,365</u>	<u>831,686</u>	<u>1,767,676</u>	<u>1,711,387</u>	<u>(56,289)</u>
Expenditures:						
Current:						
Instruction:						
Regular	10,494,985	9,903,353	591,632	791,197	598,573	192,624
Special	1,402,461	1,400,200	2,261	400,731	387,736	12,995
Vocational	541,019	459,965	81,054			
Adult/Continuing	42	0	42			
Other	277,275	161,107	116,168			
Support Services						
Pupils	1,139,409	1,119,952	19,457	255,913	220,440	35,473
Instructional Staff	774,604	724,200	50,404	359,780	327,585	32,195
Board of Education	51,423	46,060	5,363	0	0	0
Administration	2,338,488	2,227,863	110,625	130,707	124,632	6,075
Fiscal	463,250	423,851	39,399	1,245	1,155	90
Business	104,234	34,580	69,654			
Operation and Maintenance of Plant	2,607,541	2,350,812	256,729	65,386	33,410	31,976
Pupil Transportation	1,590,637	1,424,165	166,472	1,994	1,808	186
Central	39,098	28,682	10,416	3,000	672	2,328
Operation of Non-Instructional Services						
Extracurricular Activities	312,902	298,064	14,838	130,526	121,750	8,776
Capital Outlay	10,259	5,510	4,749			
Debt Service						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	<u>22,147,627</u>	<u>20,608,364</u>	<u>1,539,263</u>	<u>2,167,528</u>	<u>1,819,189</u>	<u>348,339</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,825,948)</u>	<u>545,001</u>	<u>2,370,949</u>	<u>(399,852)</u>	<u>(107,802)</u>	<u>292,050</u>
Other Financing Sources (Uses):						
Other Financing Sources	2,441	2,541	100			
Other Financing Uses	(10,600)	0	10,600			
Proceeds from Sale of Fixed Assets	92	96	4			
Proceeds from Sale of Energy Conservation Notes						
Refund of Prior Year Expenditures	12,595	13,110	515			
Refund of Prior Year Receipts	(106,000)	(105)	105,895	(3,360)	(2,434)	926
Operating Transfers - In	378	393	15	16	0	(16)
Operating Transfers - Out	(116,209)	(105,609)	10,600	(1,016)	(393)	623
Advances - In				30,000	30,000	0
Advances - Out	(80,000)	(80,000)	0			
Total Other Financing Sources (Uses)	<u>(297,303)</u>	<u>(169,574)</u>	<u>127,729</u>	<u>25,640</u>	<u>27,173</u>	<u>1,533</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(2,123,251)</u>	<u>375,427</u>	<u>2,498,678</u>	<u>(374,212)</u>	<u>(80,629)</u>	<u>293,583</u>
Fund Balances at Beginning of Year	<u>3,648,819</u>	<u>3,648,819</u>	<u>0</u>	<u>371,032</u>	<u>371,032</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>533,597</u>	<u>533,597</u>	<u>0</u>	<u>143,803</u>	<u>143,803</u>	<u>0</u>
Fund Balances at End of Year	<u>\$2,059,165</u>	<u>\$4,557,843</u>	<u>\$2,498,678</u>	<u>\$140,623</u>	<u>\$434,206</u>	<u>\$293,583</u>

See Accompanying Notes to the General Purpose Financial Statements

CAPITAL PROJECTS FUNDS

<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
\$603,916	\$605,254	\$1,338
14,866	14,899	33
208,121	212,286	4,165
<u>825</u>	<u>825</u>	<u>0</u>
<u>827,728</u>	<u>833,264</u>	<u>5,536</u>
265,851	161,606	104,245
600	359	241
5,250	4,937	313
6,271	10,582	(4,311)
13,459	12,907	552
982,822	969,281	13,541
85,920	85,182	738
700	350	350
23,033	25,192	(2,159)
323,000	323,000	0
<u>13,561</u>	<u>13,561</u>	<u>0</u>
<u>1,720,467</u>	<u>1,606,957</u>	<u>113,510</u>
<u>(892,739)</u>	<u>(773,693)</u>	<u>119,046</u>
272,396	273,000	604
49,889	50,000	111
<u>322,285</u>	<u>323,000</u>	<u>715</u>
(570,454)	(450,693)	119,761
296,433	296,433	0
<u>329,559</u>	<u>329,559</u>	<u>0</u>
<u>\$55,538</u>	<u>\$175,299</u>	<u>\$119,761</u>

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS/FUND BALANCE
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	<u>PROPRIETARY FUND TYPE</u>	<u>FIDUCIARY FUND TYPE</u>	TOTAL (MEMORANDUM ONLY)
	<u>ENTERPRISE</u>	<u>NONEXPENDABLE TRUST</u>	
Operating Revenues:			
Sales	\$760,413	\$0	\$760,413
Charges for Services	94,776	0	94,776
Interest	0	108	108
Total Operating Revenues	<u>855,189</u>	<u>108</u>	<u>855,297</u>
Operating Expenses:			
Salaries and Wages	596,961	0	596,961
Fringe Benefits	176,781	0	176,781
Purchased Services	41,216	0	41,216
Supplies and Materials	30,575	108	30,683
Cost of Sales	679,727	0	679,727
Other	609	0	609
Depreciation	9,676	0	9,676
Total Operating Expenses	<u>1,535,545</u>	<u>108</u>	<u>1,535,653</u>
Operating Loss	<u>(680,356)</u>	<u>0</u>	<u>(680,356)</u>
Non-Operating Revenues:			
Interest	629	0	629
Federal and State Subsidies	373,695	0	373,695
Federal Donated Commodities	280,370	0	280,370
Total Non-Operating Revenues	<u>654,694</u>	<u>0</u>	<u>654,694</u>
Loss Before Operating Transfers	(25,662)	0	(25,662)
Operating Transfers-In	<u>105,609</u>	<u>0</u>	<u>105,609</u>
Net Income	79,947	0	79,947
Retained Earnings/Fund Balance at Beginning of Year	<u>5,501</u>	<u>2,000</u>	<u>7,501</u>
Retained Earnings/Fund Balance at End of Year	<u><u>\$85,448</u></u>	<u><u>\$2,000</u></u>	<u><u>\$87,448</u></u>

See Accompanying Notes to the General Purpose Financial Statements

TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
 PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	ENTERPRISE FUNDS			NONEXPENDABLE TRUST FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:						
Sales	\$752,716	\$760,413	\$7,697			
Charges for Services	95,426	95,426	0			
Interest	623	629	6	\$108	\$108	\$0
Federal and State Subsidies	429,132	433,521	4,389			
Total Revenues	<u>1,277,897</u>	<u>1,289,989</u>	<u>12,092</u>	<u>108</u>	<u>108</u>	<u>0</u>
Expenses:						
Salaries and Wages	593,125	592,062	1,063			
Fringe Benefits	176,866	179,287	(2,421)			
Purchased Services	47,533	42,640	4,893			
Supplies and Materials	498,240	430,003	68,237	108	108	0
Other	9,110	7,136	1,974			
Capital Outlay	49,271	38,933	10,338			
Total Expenses	<u>1,374,145</u>	<u>1,290,061</u>	<u>84,084</u>	<u>108</u>	<u>108</u>	<u>0</u>
Excess of Revenues Over (Under) Expenses	(96,248)	(72)	96,176	0	0	0
Operating Transfers - In	<u>104,540</u>	<u>105,609</u>	<u>1,069</u>			
Excess of Revenues Over Expenses and Operating Transfers	8,292	105,537	97,245	0	0	0
Fund Equity at Beginning of Year	28,481	28,481	0	2,000	2,000	0
Prior Year Encumbrances Appropriated	13,738	13,738	0	0	0	0
Fund Equity at End of Year	<u>\$50,511</u>	<u>\$147,756</u>	<u>\$97,245</u>	<u>\$2,000</u>	<u>\$2,000</u>	<u>\$0</u>

See Accompanying Notes to the General Purpose Financial Statements

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	TOTAL
	ENTERPRISE	NONEXPENDABLE TRUST	(MEMORANDUM ONLY)
<u>Increase (Decrease) in Cash and Cash Equivalents</u>			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$855,839	\$0	\$855,839
Cash Payments for Employee Services and Benefits	(771,350)	0	(771,350)
Cash Payments to Suppliers for Goods and Services	(474,575)	(108)	(474,683)
Other Operating Expenses	(609)	0	(609)
Net Cash Used For Operating Activities	(390,695)	(108)	(390,803)
Cash Flows from Noncapital Financing Activities:			
Federal and State Subsidies Received	433,521	0	433,521
Operating Transfers - In	105,609	0	105,609
Repayment of Advance from General Fund	(26,748)	0	(26,748)
Net Cash Provided By Noncapital Financing Activities	512,382	0	512,382
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(30,387)	0	(30,387)
Net Cash Used For Capital and Related Financing Activities	(30,387)	0	(30,387)
Cash Flows from Investing Activities:			
Interest	629	108	737
Net Cash Provided By Investing Activities	629	108	737
Net Increase in Cash and Cash Equivalents	91,929	0	91,929
Cash and Cash Equivalents Beginning of Year	68,967	0	68,967
Cash and Cash Equivalents End of Year	\$160,896	\$0	\$160,896
Reconciliation of Operating Loss to Net			
<u>Cash Used For Operating Activities:</u>			
Operating Loss	(\$680,356)	\$0	(\$680,356)
Adjustments to Reconcile Operating Loss to			
Net Cash Used For Operating Activities:			
Depreciation	9,676	0	9,676
Donated Commodities Received	280,370	0	280,370
Interest in Nonexpendable Trust Fund	0	(108)	(108)
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	650	0	650
Increase in Inventory of Supplies and Materials	(2,316)	0	(2,316)
Increase in Inventory Held for Resale	(1,273)	0	(1,273)
Increase in Accounts Payable	160	0	160
Increase in Accrued Wages and Benefits Payable	6,471	0	6,471
Decrease in Intergovernmental Payable	(3,974)	0	(3,974)
Decrease in Compensated Absences Payable	(103)	0	(103)
Net Cash Used For Operating Activities	(\$390,695)	(\$108)	(\$390,803)
Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Fund to Balance Sheet			
Cash and Cash Equivalents-All Fiduciary Funds		\$53,022	
Cash and Cash Equivalents-Agency Funds		(53,022)	
Cash and Cash Equivalents-Nonexpendable Trust Fund		\$0	

See Accompanying Notes to the General Purpose Financial Statements

**Tecumseh Local School District
Clark County**

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1875 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 50 square miles. It is located in Clark County, and includes all of the City of New Carlisle and portions of Bethel and Pike Townships. It is staffed by 200 non-certificated employees, 247 certificated full-time teaching personnel and 18 administrative employees who provide services to 3,772 students and other community members. The School District currently operates 8 instructional buildings, 1 administrative building, and 1 garage.

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

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

The School District is associated with six organizations which are defined as jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Notes 18 and 19 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

- Miami Valley Educational Computer Association
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association
- Clark County Family and Children First Council
- Springfield/Clark County Joint Vocational School
- Tecumseh Education Foundation

Insurance Purchasing Pool:

- Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

**Tecumseh Local School District
Clark County**

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

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

Special Revenue Funds - 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.

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

**Tecumseh Local School District
Clark County**

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund Type:

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

Enterprise 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.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include nonexpendable trust and agency funds. The nonexpendable trust fund is accounted for in essentially the same manner as proprietary funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Account Groups:

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

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

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

B. Measurement Focus and Basis of Accounting

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

All proprietary funds and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District does not have any contributed capital. Proprietary and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

**Tecumseh Local School District
Clark County**

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, interest, interfund, 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. Accounts receivable, in some instances, are recorded as deferred revenue because they do not meet the availability criteria. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations have been recorded as deferred revenue.

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

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

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The preschool grant and the drug free grant special revenue funds grant activity that is administered by a fiscal agent is not budgeted by the School District. The legal level of budgetary control is at the function level within each fund. 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.

**Tecumseh Local School District
Clark County**

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Clark County Budget Commission for rate determination.

Estimated Resources:

By 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 2000.

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 is legally enacted by the Board of Education at the fund and function level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, must be approved by the Board of Education. The Board of Education has authorized the treasurer to further allocate appropriations among objects.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, one supplemental appropriation was legally enacted; however, it was not significant.

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

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**Tecumseh Local School District
Clark County**

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, except the nonexpendable trust fund, 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. The original contribution to the nonexpendable trust fund is invested separately.

The School District has segregated bank accounts for monies held separate from the School District's central bank account. These interest bearing depository accounts are presented on the combined balance sheet as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the School District treasury.

The balance of the grants administered by the fiscal agent is presented on the combined balance sheet as "cash and cash equivalents with fiscal agent" and represents deposits of the Clark County Educational Service Center.

During fiscal year 2000, investments consisted of U.S. Treasury Obligations, Federal Home Loan Bank Bonds, Federal Farm Credit Bank Note, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, U.S. Treasury Notes and a certificate of deposit.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2000 amounted to \$353,229, which includes \$51,858 assigned from other School District funds. The special revenue funds, the capital projects funds, the enterprise funds and the nonexpendable trust fund also received interest in the amount of \$793, \$14,899, \$629 and \$108, respectively.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

E. Inventory

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

**Tecumseh Local School District
Clark County**

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts required by statute to be set-aside by the School District for the purchase of textbooks/instructional materials and the creation of a reserve for budget stabilization.

H. Fixed Assets and Depreciation

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

Improvements are capitalized. 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. Interest incurred during the construction of general fixed assets is also not capitalized.

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 ten years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

I. Intergovernmental Revenues

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

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

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Program

Non-Reimbursable Grants

Special Revenue Funds

- Education Management Information Systems
- Preschool Grant
- Disadvantaged Pupil Impact Aid
- Disadvantaged Pupil Program

**Tecumseh Local School District
Clark County**

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Migrant Education
- Partnership Grant
- Textbooks/Instructional Materials Subsidy
- Title I
- Title III
- Title VI
- Title VI-B
- Drug Free Grant
- Goals 2000 Intervention
- Teacher Development
- Venture Capital
- Raising the Bar Grant
- Ohio Reads Grant
- Charter Education Grant
- Safe-School Helpline Grant
- Conflict Management Grant
- Capital Projects Funds*
 - School Net Plus
 - Technology Equity Grant
 - Emergency Building Repair
- Reimbursable Grants*
- General Fund*
 - Driver Education
- Special Revenue Funds*
 - Telecomm (E-rate) Grant
- Proprietary Funds*
 - National School Lunch and Breakfast Programs
 - Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 62 percent of governmental fund revenue during the 2000 fiscal year.

J. Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated sick leave for all employees after ten years of current service with the School District. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**Tecumseh Local School District
Clark County**

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for contributions signifies the legal restrictions on the use of principal.

O. Estimates

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

P. Total Columns on General Purpose Financial Statements

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

**Tecumseh Local School District
Clark County**

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

The following funds had a deficit fund balance/retained earnings at June 30, 2000:

Disadvantaged Pupil Impact Aid Special Revenue Fund	\$2,058
Title VI-B Special Revenue Fund	39,989
Title I Special Revenue Fund	76,783
Food Service Enterprise Fund	16,107

The deficits were created by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The following functions had expenditures plus encumbrances in excess of appropriations at June 30, 2000:

Fund	Appropriations	Expenditures Plus Encumbrances	Variance
Special Revenue Funds:			
Martha Holden Jennings Grant Fund			
Instruction			
Special	\$59	\$1,606	(\$1,547)
Operating Transfers - Out	86	393	(307)
Venture Capital Fund			
Support Services			
Fiscal	1,120	1,154	(34)
Ohio Reads Grant Fund			
Instruction			
Regular	6,811	6,817	(6)
Partnership Grant Fund			
Support Services			
Instructional Staff	51,389	70,712	(19,323)
Administration	700	796	(96)
Title VI-B Fund			
Support Services			
Administration	79,624	85,428	(5,804)
Goals 2000 Intervention Fund			
Refund of Prior Year Receipts	50	980	(930)

**Tecumseh Local School District
Clark County**

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (continued)

Fund	Appropriations	Expenditures Plus Encumbrances	Variance
Capital Projects Funds:			
Permanent Improvement Fund			
Support Services			
Administration	\$6,271	\$10,582	(\$4,311)
Capital Outlay	17,779	19,792	(2,013)
Technology Equity Grant Fund			
Support Services			
Instructional Staff	0	189	(189)
Operation and Maintenance of Plant	2,500	9,625	(7,125)
Emergency Building Repair Fund			
Capital Outlay	5,254	5,400	(146)

The following funds had appropriations in excess of estimated resources and available balances:

Fund	Appropriations	Estimated Resources and Available Balances	Variance
Special Revenue Funds:			
Venture Capital	\$157,281	\$144,583	(\$12,698)
Migrant Education	107,889	89,043	(18,846)
Title III	31,219	30,997	(222)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

**Tecumseh Local School District
Clark County**

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as a balance sheet transaction (GAAP basis).
6. The School District does not budget for the activities of various grants administered by the fiscal agent who collect and holds the assets (budget basis). However, the activities of the fiscal agent that pertain to Tecumseh Local School District are included in the special revenue funds for GAAP reporting purposes (GAAP basis).
7. Advances - in and advances - out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

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

	General	Special Revenue	Capital Projects
GAAP Basis	\$1,432,822	(\$44,074)	\$48,712
Revenue Accruals	(469,356)	(4,527)	(49,700)
Expenditure Accruals	(60,076)	58,937	75,830
Prepaid Items	2,498	0	0
Advances	(80,000)	30,000	50,000
Excess of Revenues Over Expenditures for Nonbudgeted Funds	0	(227)	0
Principal Payment	0	0	(323,000)
Proceeds from Sale of Energy Conservation Notes	0	0	273,000
Encumbrances	(450,461)	(120,738)	(525,535)
Budget Basis	\$375,427	(\$80,629)	(\$450,693)

**Tecumseh Local School District
Clark County**

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

Net Income/Excess of Revenues Over Expenses
Proprietary Fund Type

	<u>Enterprise</u>
GAAP Basis	\$79,947
Revenue Accruals	60,476
Expense Accruals	2,554
Inventory of Supplies and Materials	(2,316)
Acquisition of Capital Assets	(30,387)
Inventory Held for Resale	(1,273)
Depreciation Expense	9,676
Encumbrances	(13,140)
Budget Basis	<u><u>\$105,537</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

**Tecumseh Local School District
Clark County**

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

Investments in stripped principal or interest obligations, reverse 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.

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

At year-end, the School District had \$3,500 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents."

**Tecumseh Local School District
Clark County**

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

The "cash and cash equivalents with fiscal agent" of \$1,671 shown in the special revenue funds is maintained with the Clark County Educational Service Center. Disclosures regarding this amount can be obtained from their annual report.

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$5,326,639 and the bank balance was \$5,499,054. Of the bank balance:

1. \$103,156 was covered by federal depository insurance; and
2. \$5,395,898 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District held to a successful claim by the Federal Deposit Insurance Corporation.

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

	Category 2	Fair/Carrying Value
U.S. Treasury Obligations	\$57,017	\$57,017
Federal Home Loan Bank Bonds	347,170	347,170
Federal Farm Credit Bank Note	49,870	49,870
Federal Home Loan Mortgage Corporation Notes	99,015	99,015
Federal National Mortgage Association Notes	494,707	494,707
U.S. Treasury Notes	99,188	99,188
	\$1,146,967	\$1,146,967

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$6,476,777	\$2,000
Certificate of Deposit	2,000	(2,000)
Cash and Cash Equivalents		
With Fiscal Agent	(1,671)	0
Cash on Hand	(3,500)	0
Investments:		
U.S. Treasury Obligations	(57,017)	57,017
Federal Home Loan Bank Bonds	(347,170)	347,170
Federal Farm Credit Bank Note	(49,870)	49,870

**Tecumseh Local School District
Clark County**

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

Federal Home Loan Mortgage Corporation Notes	(99,015)	99,015
Federal National Mortgage Association Notes	(494,707)	494,707
U.S. Treasury Notes	(99,188)	99,188
GASB Statement 3	\$5,326,639	\$1,146,967

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) is for calendar 2000 taxes.

2000 real property taxes are levied after April 1, 2000, on the assessed value as of January 1, 2000, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000, and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after April 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later 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 semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which fiscal year 2000 taxes were collected are:

	1999 Second-Half Collections		2000 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$199,533,980	87%	\$201,715,160	87%
Public Utility	14,756,850	7	15,650,590	7
Tangible Personal Property	14,400,288	6	15,393,791	6
Total Assessed Value	\$228,691,118	100%	\$232,759,541	100%
Tax rate per \$1,000 of assessed valuation	\$45.63		\$44.40	

**Tecumseh Local School District
Clark County**

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 6 - PROPERTY TAXES (continued)

The School District receives property taxes from Clark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2000 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, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$1,742,173 in the general fund and \$172,492 in the permanent improvement capital projects fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2000, consisted of property taxes, accounts (student fees), accrued interest, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund	
Driver Education Reimbursement	\$1,000
Tuition from Other Schools	<u>3,262</u>
Total General Fund	<u>4,262</u>
Special Revenue Fund:	
Preschool Grant Fund	<u>1,729</u>
Total Intergovernmental Receivable	<u><u>\$5,991</u></u>

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$283,869
Less Accumulated Depreciation	<u>(194,739)</u>
Net Fixed Assets	<u><u>\$89,130</u></u>

**Tecumseh Local School District
Clark County**

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category	Balance at 6/30/99	Additions	Deletions	Balance at 6/30/00
Land and Improvements	\$317,878	\$0	\$0	\$317,878
Buildings and Improvements	9,020,696	103,479	0	9,124,175
Furniture, Fixtures and Equipment	3,997,299	396,962	82,758	4,311,503
Vehicles	1,430,145	204,901	171,940	1,463,106
Totals	<u>\$14,766,018</u>	<u>\$705,342</u>	<u>\$254,698</u>	<u>\$15,216,662</u>

There was no significant construction in progress at June 30, 2000.

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

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 2000, the School District contracted with Nationwide Insurance for general liability and automobile insurance. Property is protected by Consolidated Insurance. Coverages provided by Nationwide and Consolidated Insurance are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$40,000,000
Inland Marine Coverage (\$0 deductible)	559,625
Boiler and Machinery (\$1,000 deductible)	21,000,000
Crime Insurance	5,000
Automobile Liability (\$0 deductible)	3,000,000
Uninsured Motorists (\$250 deductible)	7,500
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000

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

B. Workers' Compensation

For fiscal year 2000, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 19). The intent of the GRP 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 GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompMangement, Inc. provides administrative, cost control, and actuarial services to the GRP.

**Tecumseh Local School District
Clark County**

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current school district rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$157,327, \$222,508, and \$366,766, respectively; 30 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$109,228 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term debt 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. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 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, 2000, 1999, and 1998 were \$687,135, \$588,283, and \$1,087,077, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$115,939 representing the unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Tecumseh Local School District
Clark County**

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 11 - 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.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$916,179 for fiscal year 2000. STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999 (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. 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 2000, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$299,487.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

NOTE 12 - OTHER 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 ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 220 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum 35 days for all employees with ten or more years of current service with the School District. Twelve percent of the remaining accrued but unused sick leave is paid, not to exceed nine days.

**Tecumseh Local School District
Clark County**

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life Insurance. Medical/surgical benefits are provided by United Health Care. Dental coverage is provided by CoreSource and vision coverage is provided by Vision Service Plan.

C. Early Retirement Incentive

The School District Board of Education approved an Early Retirement Incentive program. Upon initial eligibility for STRS retirement benefits, the following is the program available to bargaining unit members for the time period 7/01/96 to 7/01/01:

The Board will pay a one-time lump sum of \$1,000 times each year of Tecumseh Local service, not to exceed \$20,000, provided that such unit member has at least ten years of Tecumseh Local service, the final five years of which must be consecutive and be in a paid status immediately prior to retirement.

At the end of fiscal year 1999 the School District had seven employees who chose to accept the early retirement incentive. They will receive the payment in September 2000. At the end of fiscal year 2000, four employees chose to accept the incentive and will be paid in October 2001. The liability at June 30, 2000 for these eleven employees has been recorded as an early retirement incentive liability in the general long-term debt account group. Four employees chose to accept the early retirement incentive at the end of fiscal year 1998. They were paid in September 1999. These expenditures are reflected as program/function expenditures in the general fund.

NOTE 13 - NOTES PAYABLE

A summary of the short-term note transactions for the year ended June 30, 2000 follows:

Fund Type/Fund/Issue	Interest Rate	Balance at June 30, 1999	Increases	Decreases	Balance at June 30, 2000
Capital Projects Fund:					
Energy Conservation Note	4.14%	\$323,000	\$273,000	\$323,000	\$273,000

The Energy Conservation Note was issued on September 17, 1999 and matures on September 16, 2000. This note is backed by the full faith and credit of the School District. The note liability is reflected in the permanent improvement capital projects fund, the fund which received the proceeds.

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2000 were as follows

	Amount Outstanding 6/30/99	Increases	Decreases	Amount Outstanding 6/30/00
Intergovernmental Payable	\$240,322	\$227,624	\$240,322	\$227,624
Compensated Absences Payable	1,303,694	96,934	0	1,400,628

**Tecumseh Local School District
Clark County**

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

Early Retirement Incentive Payable	202,000	80,000	80,000	202,000
Total General Long-Term Obligations	<u>\$1,746,016</u>	<u>\$404,558</u>	<u>\$320,322</u>	<u>\$1,830,252</u>

Compensated absences payable and early retirement incentive payable will be paid from the fund from which the employees' salaries are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund which the person is paid.

The School District's overall legal debt margin was \$20,948,359, the energy conservation debt margin was \$1,821,836 and the unvoted debt margin was \$232,760 at June 30, 2000.

NOTE 15 - INTERFUND ACTIVITY

As of June 30, 2000, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Interfund Receivables	Interfund Payables
General Fund	\$80,000	\$0
Title VI-B Special Revenue Fund	0	30,000
Permanent Improvement Capital Projects Fund	0	50,000
Total All Funds	<u>\$80,000</u>	<u>\$80,000</u>

NOTE 16 - CONTRACTUAL COMMITMENTS

As of June 30, 2000, the School District had contractual purchase commitments as follows:

Company	Project	Amount Remaining on Contract
Lavy Enterprises	Stadium Playing Field	\$9,500
Lex Electric Company	Wiring for Library Computers	7,125
Dayton Power & Light	Athletic Stadium	123,658
A&B Maintenance	Asphalt Repairs	23,925
Insulation Unlimited	Reroof MCA Center Rotunda	53,900
Copp Systems	Renovate Auditorium	20,711
Fanning/Howey Associates	District Facilities Study	15,000
W.R. Kelso Co, Inc.	Roof Project Area 1&2	23,904

**Tecumseh Local School District
Clark County**

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

Enterprise Roofing Company.	Roof Projects	255,766
Honeywell, Inc.	Y2K Energy Management Upgrade	9,902
Widener Posey Architects	Stadium Bleachers	17,500
Alpha Smart, Inc.	Computers	11,832

NOTE 17 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and latchkey. The table below reflects the more significant financial data relating to the enterprise funds of the Tecumseh Local School District as of and for the fiscal year ended June 30, 2000.

	<u>Food Service</u>	<u>Latchkey</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$760,413	\$94,776	\$855,189
Depreciation Expense	5,437	4,239	9,676
Operating Income (Loss)	(686,811)	6,455	(680,356)
Interest	629	0	629
Federal and State Subsidies	373,695	0	373,695
Federal Donated Commodities	280,370	0	280,370
Operating Transfers - In	105,609	0	105,609
Net Income	73,492	6,455	79,947
Fixed Assets Additions	0	30,387	30,387
Fixed Asset Deletions	8,681	0	8,681
Net Working Capital (Deficit)	(2,539)	39,659	37,120
Total Assets	183,654	115,594	299,248
Long-Term Compensated Absences Payable	40,802	0	40,802
Total Equity (Deficit)	(16,107)	101,555	85,448
Encumbrances Outstanding at June 30, 2000	2,037	11,103	13,140

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Educational Computer Association - The School District is a participant in the Miami Valley Educational Computer System (MVECA) which is a computer consortium. MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene and Highland Counties and Cities of Springfield, Wilmington, Washington Court House, Xenia and Hillsboro. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts.

**Tecumseh Local School District
Clark County**

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (continued)

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The School District paid MVECA \$58,231 for services provided during the year. Financial information can be obtained from Gary Bosserman, who serves as Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The Montgomery County Educational Service Center acts as the Fiscal Agent for the group. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2000, the School District paid \$66,857 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members from the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2000, the School District paid \$3,306 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Clark County Family and Children First Council - The Clark County Family and Children First Council (the Council) is a voluntary association established for the purpose to coordinate and integrate services within Clark County which are available for families and children and to establish a comprehensive, coordinated, multi-disciplinary, interagency system for the delivery of these services in order to more effectively meet the needs of families and children.

The Board of Trustees is comprised of eighteen representatives of each of the members of the Council, including the Superintendent of the Clark County Educational Service Center, who was appointed by the Superintendents of the Clark County schools. All members are obligated to pay all dues as established by the Council to aid the financing of the operations and programs of the Council. The Tecumseh Local School District does not pay any dues since the Clark County Educational Service Center represents the School

**Tecumseh Local School District
Clark County**

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (continued)

District. Any member withdrawing from the Council must give one hundred eighty days written notice to the Council after formal action of the member's governing board. To obtain financial information, write to the Clark County Family and Children First Council, Marilyn Demma, who serves as Treasurer, at 6 West High Street, Suite 500, Springfield, Ohio 45502.

Springfield/Clark County Joint Vocational School - The Springfield/Clark County Joint Vocational School District is a legally separate body politic and corporate. The Board consists of one representative from the following: Clark-Shawnee Local School District, Mad River-Green Local School District, Northeastern Local School District, Northwestern Local School District, Southeastern Local School District, Tecumseh Local School District and the Clark County Educational Service Center; and two members from the Springfield City School District. The Tecumseh Local School District is not able to impose its will on the Springfield/Clark County Joint Vocational School and no financial benefit/burden relationship exists. The Springfield/Clark County Vocational School 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 vocational school. During fiscal year 2000, the School District did not contribute any money to the vocational school district. To obtain financial information, write to the Springfield/Clark County Joint Vocational School, Mary Beth Kemmer, who serves as Treasurer, at 1901 Selma Road, Springfield, Ohio 45505-4329.

Tecumseh Education Foundation - The Tecumseh Education Foundation (TEF) is a non-profit community organization of business, civic, industry and educational interests whose purpose is to secure and distribute contributions to assist the School District in enabling students to achieve their individual potential. The Board of Trustees is comprised of eleven representatives who are nominated and elected by a majority vote by the present trustees. One member of the Tecumseh Local School District Board of Education is designated annually by the Tecumseh Local Schools Board to serve as one of the eleven trustees. Each elected trustee serves a three year term, with one-third of the trustees being elected every year. The Superintendent of the Tecumseh Local School District will serve in an ex officio capacity on a continuing basis. Officers of the TEF are elected annually by the Board of Trustees. The officers of the foundation shall consist of a President, a Vice-President, a Secretary, a Treasurer and other offices as the Board of Trustees may appoint. The President and Vice-President of the Board of Trustees shall be members of the Board of Trustees. The Secretary and Treasurer need not be members of the Board of Trustees.

The School District is not able to impose its will on the TEF and no financial benefit/burden relationship exists. The TEF is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. The School District did not contribute any money to the Tecumseh Education Foundation during fiscal year 2000. To obtain financial information, write to the Tecumseh Education Foundation, Rita Lane, who serves as President, at P.O. Box 305, New Carlisle, Ohio 45344.

NOTE 19 - INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**Tecumseh Local School District
Clark County**

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 20 - SCHOOL FUNDING COURT DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in 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, 2000, the School District received \$12,266,654 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

NOTE 21- CONTINGENCIES

The School District received financial assistance from federal and state 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 adverse effect on the overall financial position of the School District at June 30, 2000.

NOTE 22 - SET-ASIDE CALCULATIONS

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

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

**Tecumseh Local School District
Clark County**

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

	Budget Stabilization <u>Reserve</u>	Capital Improvements <u>Reserve</u>	Textbooks/ Instructional <u>Materials</u> <u>Reserve</u>
Set-aside Reserve Balance as of June 30, 1999	\$227,653	\$0	\$0
Current Year Set-aside Requirement	155,895	467,686	467,686
Offsets	(80,264)	(878,254)	0
Qualifying Disbursements	0	0	(367,548)
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$303,284</u>	<u>(\$410,568)</u>	<u>\$100,138</u>
Set-aside Reserve Balance as of June 30, 2000	\$303,284	\$0	\$100,138

The School District had offsets during the fiscal year that reduced the capital improvements set-aside below zero. This extra amount may be used to reduce the set-aside requirement in future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$403,422.

NOTE 23 - SUBSEQUENT EVENT

On September 14, 2000, the School District paid and reissued the energy conservation note for an amount of \$173,000 and at an interest rate of 5.15 percent. The note matures on September 12, 2001.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED JUNE 30, 2000**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
U.S. DEPARTMENT OF AGRICULTURE						
(Passed through State Department of Education)						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$200,474	\$0	\$209,488
School Breakfast Program	05PU99 05PU00	10.553	22,094 61,225	0 0	22,094 61,225	0 0
Total National School Breakfast Program			83,319	0	83,319	
National School Lunch Program	03PU99 03PU00 04PU99 04PU00	10.555	22,383 64,071 62,293 173,397	0 0 0 0	22,383 64,071 62,293 173,397	0 0 0 0
Total National School Lunch Program			322,144	0	322,144	0
Total US Department of Agriculture - Nutrition Cluster			405,463	200,474	405,463	209,488
U.S. DEPARTMENT OF EDUCATION						
(Passed through State Department of Education)						
Title I						
	C1S199 C1S100	84.010	79,443 344,890	0 0	131,800 407,639	0 0
Total Title I			424,333	0	539,439	0
Migrant Education - Basic State Formula Grant	MGS199 MGS100	84.011	65,838 26,640	0 0	40,966 22,755	0 0
Total Migrant Education - Basic State Formula Grant			92,478	0	63,721	0
Special Education Cluster:						
Special Education - Grants to States (Title VI-B)	6BSF99	84.027	152,549	0	179,426	0
(Passed through Clark County ESC)						
Special Education - Preschool Grant		84.173	18,628	0	16,672	0
Total Special Education Cluster			171,177	0	196,098	0
(Passed through Clark County ESC)						
Drug Free Schools		84.186	16,005	0	16,005	0
(Passed through State Department of Education)						
GOALS 2000	G2S299 G2S200	84.276	93,700 27,000	0 0	41,644 0	0 0
Total GOALS 2000			120,700	0	41,644	0
Eisenhower Prof. Dev. State Grant	MSS199 MSS100	84.281	0 16,825	0 0	13,778 6,102	0 0
Total Eisenhower Prof. Dev. State Grant			16,825	0	19,880	0
Innovative Educational Program Strategy	C2S199 C2S100	84.298	2,482 18,665	0 0	4,470 18,665	0 0
Total Innovative Educational Program Strategy			21,147	0	23,135	0
Tech Literacy Challenge Fund	TF3299 TF3399 TF3499	84.318	100,000 62,500 62,500	0 0 0	100,000 62,488 0	0 0 0
Total Tech Literacy Challenge Fund			225,000	0	162,488	0
Class Size Reduction	CRS100	84.340	77,893	0	56,581	0
Total US Department of Education			1,165,558	0	1,118,991	0
Total Federal Assistance			<u>\$1,571,021</u>	<u>\$200,474</u>	<u>\$1,524,454</u>	<u>\$209,488</u>

The Notes to the Schedule are an integral part of this Schedule.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED JUNE 30, 2000**

NOTE A: SIGNIFICANT ACCOUNT POLICIES

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

NOTE B: NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and disbursed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies were expended first. At June 30, 2000, the District had no significant food commodities inventory.

NOTE C: DRUG FREE PROGRAM/PRESCHOOL TITLE VI-B

The Clark County Education Service Center expended \$16,005 on the Drug Free Program and \$16,672 on Preschool Title VI-B, on behalf of Tecumseh Local School District during the current reporting period. These funds are included in the accompanying Schedule of Federal Awards Expenditures.

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

Tecumseh Local School District
Clark County
9760 West National Road
New Carlisle, Ohio 45344

To the Board of Education:

We have audited the financial statements of Tecumseh Local School District (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated November 28, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 28, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2000-10312-001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also 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 November 28, 2000.

Tecumseh Local School District
Clark County
Report of Independent Accountants 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.

JIM PETRO
Auditor of State

November 28, 2000



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

Tecumseh Local School District
Clark County
9760 West National Road
New Carlisle, Ohio 45344

To the Board of Education:

Compliance

We have audited the compliance of Tecumseh Local School 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, 2000. Tecumseh Local School 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 each of its major federal programs is the responsibility of Tecumseh Local School District's management. Our responsibility is to express an opinion on Tecumseh Local School 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 Tecumseh Local School 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 Tecumseh Local School District's compliance with those requirements.

In our opinion, Tecumseh Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

The management of Tecumseh Local School 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 Tecumseh Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Tecumseh Local School District

Clark County

Report of Independent Accountants on Compliance With Requirements Applicable to Each Major
Federal Program and Internal Control Over Compliance In Accordance With OMB Circular A-133
Page 2

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. We noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 28, 2000.

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

November 28, 2000

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS
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(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)?	Yes
(d)(1)(iii)	Was there any reported material 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 Programs (list):	Nutrition Cluster*
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

*The Nutrition Cluster is comprised of the following programs: Food Distribution Program (CFDA #10.550), National School Breakfast Program (CFDA #10.553) and National School Lunch Program (CFDA 10.555).

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000
(Continued)**

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

Finding Number	2000-10312-001
-----------------------	----------------

The District did not have a policy manual for its Latchkey program which resulted in a lack of controls over the records, as well as a lack of consistency between the District buildings records. Specifically, the lack of a policy manual resulted in the following:

1.) Receipt books were not used in consecutive order. Completeness of each buildings Latchkey records was difficult to determine and could result in receipts not being deposited. It was noted, by the Latchkey Supervisor at Park Layne, that the District issued receipt books at the beginning of each school year to each building. These receipt books were used for other activities as well as for latchkey. When the school used the last receipt, they requested another receipt book from the treasurer's office, which resulted in an inconsistency in consecutive receipt numbers in receipts books used for latchkey as well as other programs. We recommend that the treasurer's staff issue specific receipt books for each program, i.e. latchkey receipts, to provide better monitoring of the receipts for that particular program and for all receipts being deposited.

2.) No cash / accounts receivable ledger was maintained for Latchkey customers, which could result in a customer making an over/under payment and allow errors to occur in customer balances. To ensure customer account balances are correct, each Latchkey program should maintain a cash/accounts receivable ledger for each student enrolled in their particular program. The ledger should show a cumulative total of fees due by week for the school year, fees owed per week, payment amounts made including date and receipt number, and a running cumulative total of charges due throughout the year.

3.) 48% of the cash receipts selected did not have the date(s) the payment was for recorded on the receipt. This resulted in the inability to trace the receipt to the weekly sheet which the payment was for, and to determine whether the account was marked paid. To provide that all accounts are credited for all payments made, the Latchkey Director record the date(s) the payment was for on the cash receipt.

4.) Latchkey rates being charged were not approved by the Board. Although these rates were approved by the elementary principals as a group, all rates charged should be approved by the Board of Education. The

Board should approve the latchkey program fee rates, as well as guidelines, procedures, and forms to provide consistency of record keeping and charges throughout the District.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2000**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
1999-10312-001	Violation of ORC Section 5705.41(B)	No	Not fully corrected. Citation is in the management letter for current audit.
1999-10312-002	Violation of ORC Section 5705.36	Yes	N/A
1999-10312-003	Latchkey Program Policies	No	Not corrected. Reportable Condition issued for current audit.
1999-10312-004	Nutrition Cluster Program Errors; -parent notification. -district official approval of applications. -CN-6 and CN-7 reports not approved. -missclassification of free vs. reduced meal applications.	Yes	N/A



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TECUMSEH LOCAL SCHOOL DISTRICT

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 21, 2000**