



**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**SINGLE AUDIT**

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



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

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**STATE OF OHIO**



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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, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Tecumseh Local School District, Clark County, as of June 30, 1999, 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 February 3, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

**JIM PETRO**  
Auditor of State

February 3, 2000



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

	<u>GOVERNMENTAL FUND TYPES</u>		
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>
<b>Assets and Other Debits</b>			
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$3,901,623	\$515,769	\$625,991
Cash and Cash Equivalents:			
In Segregated Accounts	0	2,500	0
With Fiscal Agent	0	1,444	0
Investments	0	0	0
Receivables:			
Property and Other Taxes	7,281,979	0	680,754
Accounts	58,605	4,508	0
Intergovernmental	1,739	6,583	0
Accrued Interest	9,174	0	0
Interfund	30,183	0	0
Prepaid Items	33,106	0	0
Inventory of Supplies and Materials	135,598	0	0
Inventory Held for Resale	0	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	257,327	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
<b>Total Assets and Other Debits</b>	<u>\$11,709,334</u>	<u>\$530,804</u>	<u>\$1,306,745</u>
<b>Liabilities, Fund Equity and Other Credits</b>			
<b>Liabilities:</b>			
Accounts Payable	\$166,846	\$17,158	\$28,904
Contracts Payable	27,847	0	102,886
Accrued Wages and Benefits Payable	1,795,210	79,640	0
Intergovernmental Payable	478,907	24,895	686
Interfund Payable	0	3,435	0
Due to Students	0	0	0
Deferred Revenue	6,026,018	0	557,962
Compensated Absences Payable	46,391	1,169	0
Accrued Interest Payable	0	0	10,803
Energy Conservation Notes Payable	0	0	323,000
Early Retirement Incentive Payable	0	0	0
<b>Total Liabilities</b>	<u>8,541,219</u>	<u>126,297</u>	<u>1,024,241</u>
<b>Fund Equity and Other Credits:</b>			
Investment in General Fixed Assets	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balance:			
Reserved for Encumbrances	373,063	138,716	197,904
Reserved for Inventory of Supplies and Materials	135,598	0	0
Reserved for Property Taxes	1,277,962	0	122,792
Reserved for Budget Stabilization	227,653	0	0
Reserved for School Bus Purchases	29,674	0	0
Reserved for Contributions to Nonexpendable Trust Fund	0	0	0
Unreserved, Undesignated (Deficit)	1,124,165	265,791	(38,192)
<b>Total Fund Equity and Other Credits</b>	<u>3,168,115</u>	<u>404,507</u>	<u>282,504</u>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<u>\$11,709,334</u>	<u>\$530,804</u>	<u>\$1,306,745</u>

*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			
\$68,967	\$55,282	\$0	\$0	\$5,167,632
0	0	0	0	2,500
0	0	0	0	1,444
0	2,000	0	0	2,000
0	0	0	0	7,962,733
1,317	0	0	0	64,430
59,826	0	0	0	68,148
0	0	0	0	9,174
0	0	0	0	30,183
0	0	0	0	33,106
4,348	0	0	0	139,946
52,059	0	0	0	52,059
0	0	0	0	257,327
68,419	0	14,769,023	0	14,837,442
0	0	0	1,746,016	1,746,016
<u>\$254,936</u>	<u>\$57,282</u>	<u>\$14,769,023</u>	<u>\$1,746,016</u>	<u>\$30,374,140</u>
\$731	\$0	\$0	\$0	\$213,639
0	0	0	0	130,733
87,636	0	0	0	1,962,486
47,509	0	0	240,322	792,319
26,748	0	0	0	30,183
0	55,282	0	0	55,282
45,905	0	0	0	6,629,885
40,905	0	0	1,303,694	1,392,159
0	0	0	0	10,803
0	0	0	0	323,000
0	0	0	202,000	202,000
<u>249,434</u>	<u>55,282</u>	<u>0</u>	<u>1,746,016</u>	<u>11,742,489</u>
0	0	14,769,023	0	14,769,023
5,502	0	0	0	5,502
0	0	0	0	709,683
0	0	0	0	135,598
0	0	0	0	1,400,754
0	0	0	0	227,653
0	0	0	0	29,674
0	2,000	0	0	2,000
0	0	0	0	1,351,764
<u>5,502</u>	<u>2,000</u>	<u>14,769,023</u>	<u>0</u>	<u>18,631,651</u>
<u>\$254,936</u>	<u>\$57,282</u>	<u>\$14,769,023</u>	<u>\$1,746,016</u>	<u>\$30,374,140</u>

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

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
<b>Revenues:</b>				
Property and Other Taxes	\$7,434,664	\$0	\$652,826	\$8,087,490
Tuition and Fees	159,948	0	0	159,948
Interest	252,317	645	6,073	259,035
Intergovernmental	12,950,484	1,225,870	852,636	15,028,990
Extracurricular Activities	0	202,706	0	202,706
Miscellaneous	11,637	11,749	1,650	25,036
<b>Total Revenues</b>	<u>20,809,050</u>	<u>1,440,970</u>	<u>1,513,185</u>	<u>23,763,205</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	9,911,967	343,151	158,650	10,413,768
Special	1,444,932	391,712	0	1,836,644
Vocational	467,574	0	0	467,574
Support Services:				
Pupils	1,002,600	250,972	725	1,254,297
Instructional Staff	600,972	195,576	18,793	815,341
Board of Education	37,625	0	0	37,625
Administration	2,120,631	110,024	18,882	2,249,537
Fiscal	407,135	0	16,821	423,956
Business	61,520	0	14,616	76,136
Operation and Maintenance of Plant	2,203,206	31,745	730,584	2,965,535
Pupil Transportation	1,292,724	6,090	131,373	1,430,187
Central	30,608	5,226	0	35,834
Operation of Non-Instructional Services	0	2,769	350	3,119
Extracurricular Activities	280,408	91,799	0	372,207
Capital Outlay	5,300	0	21,354	26,654
Debt Service:				
Interest and Fiscal Charges	0	0	13,967	13,967
<b>Total Expenditures</b>	<u>19,867,202</u>	<u>1,429,064</u>	<u>1,126,115</u>	<u>22,422,381</u>
<b>Excess of Revenues Over Expenditures</b>	<u>941,848</u>	<u>11,906</u>	<u>387,070</u>	<u>1,340,824</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets	172	0	0	172
Operating Transfers - In	2,591	0	0	2,591
Operating Transfers - Out	0	(2,591)	0	(2,591)
<b>Total Other Financing Sources (Uses)</b>	<u>2,763</u>	<u>(2,591)</u>	<u>0</u>	<u>172</u>
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>944,611</u>	<u>9,315</u>	<u>387,070</u>	<u>1,340,996</u>
Fund Balances (Deficit) at Beginning of Year	2,236,620	395,192	(104,566)	2,527,246
Decrease in Reserve for Inventory	(13,116)	0	0	(13,116)
<b>Fund Balances at End of Year</b>	<u>\$3,168,115</u>	<u>\$404,507</u>	<u>\$282,504</u>	<u>\$3,855,126</u>

See Accompanying Notes to the General Purpose Financial Statements

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

	<u>GENERAL FUND</u>		
	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>Revenues:</b>			
Property and Other Taxes	\$6,049,948	\$7,027,648	\$977,700
Tuition and Fees	136,746	158,845	22,099
Interest	216,869	251,916	35,047
Intergovernmental	11,149,882	12,951,755	1,801,873
Extracurricular Activities	0	0	0
Rent	3,021	3,509	488
Gifts and Donations	0	0	0
Miscellaneous	5,577	6,478	901
<b>Total Revenues</b>	<u>17,562,043</u>	<u>20,400,151</u>	<u>2,838,108</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	9,842,538	9,815,727	26,811
Special	1,320,298	1,284,425	35,873
Vocational	504,950	468,730	36,220
Adult/Continuing	40	0	40
Other	248,920	416,507	(167,587)
Support Services			
Pupils	1,026,482	1,000,336	26,146
Instructional Staff	651,892	635,062	16,830
Board of Education	49,998	44,904	5,094
Administration	2,182,318	2,125,014	57,304
Fiscal	420,962	407,979	12,983
Business	94,703	61,486	33,217
Operation and Maintenance of Plant	2,278,068	2,272,683	5,385
Pupil Transportation	1,524,454	1,372,872	151,582
Central	35,088	31,658	3,430
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	312,270	281,807	30,463
Capital Outlay	9,084	5,800	3,284
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<u>20,502,065</u>	<u>20,224,990</u>	<u>277,075</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,940,022)</u>	<u>175,161</u>	<u>3,115,183</u>
Other Financing Sources (Uses):			
Other Financing Sources	1,513	1,757	244
Other Financing Uses	(10,000)	0	10,000
Proceeds from Sale of Fixed Assets	148	172	24
Proceeds from Sale of Energy Conservation N	0	0	0
Refund of Prior Year Expenditures	9,572	11,119	1,547
Refund of Prior Year Receipts	(100,000)	(1,812)	98,188
Operating Transfers - In	2,445	2,591	146
Operating Transfers - Out	(30,001)	0	30,001
Advances - In	0	52,883	52,883
Advances - Out	(30,000)	0	30,000
<b>Total Other Financing Sources (Uses)</b>	<u>(156,323)</u>	<u>66,710</u>	<u>223,033</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(3,096,345)</u>	<u>241,871</u>	<u>3,338,216</u>
Fund Balances at Beginning of Year	2,924,245	2,924,245	0
Prior Year Encumbrances Appropriated	482,704	482,704	0
<b>Fund Balances at End of Year</b>	<u>\$310,604</u>	<u>\$3,648,820</u>	<u>\$3,338,216</u>

*See Accompanying Notes to the General Purpose Financial Statements*

SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUNDS		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$0	\$0	\$0	\$673,875	\$613,719	(\$60,156)
0	0	0	0	0	0
663	645	(18)	6,668	6,073	(595)
1,314,880	1,189,613	(125,267)	853,745	852,636	(1,109)
199,000	198,198	(802)	0	0	0
0	0	0	0	0	0
1,922	1,920	(2)	0	0	0
10,215	10,155	(60)	2,040	1,650	(390)
<u>1,526,680</u>	<u>1,400,531</u>	<u>(126,149)</u>	<u>1,536,328</u>	<u>1,474,078</u>	<u>(62,250)</u>
411,499	352,560	58,939	384,223	174,136	210,087
533,644	398,522	135,122	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
277,236	250,776	26,460	900	725	175
276,107	214,337	61,770	6,926	18,793	(11,867)
0	0	0	0	0	0
147,722	121,348	26,374	22,970	18,747	4,223
790	2	788	16,745	16,821	(76)
0	0	0	15,000	14,616	384
6,997	63,715	(56,718)	1,161,175	1,041,243	119,932
22,256	6,044	16,212	149,090	148,580	510
5,700	5,226	474	0	0	0
10,319	2,788	7,531	0	350	(350)
105,807	98,503	7,304	0	0	0
0	0	0	7,613	26,513	(18,900)
0	0	0	358,000	358,000	0
0	0	0	16,000	15,351	649
<u>1,798,077</u>	<u>1,513,821</u>	<u>284,256</u>	<u>2,138,642</u>	<u>1,833,875</u>	<u>304,767</u>
<u>(271,397)</u>	<u>(113,290)</u>	<u>158,107</u>	<u>(602,314)</u>	<u>(359,797)</u>	<u>242,517</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	354,660	323,000	(31,660)
0	0	0	0	0	0
(325)	(20,907)	(20,582)	0	0	0
14,094	0	(14,094)	0	0	0
(2,841)	(2,591)	250	0	0	0
0	0	0	0	0	0
(1,210)	(12,354)	(11,144)	(42,000)	(40,529)	1,471
<u>9,718</u>	<u>(35,852)</u>	<u>(45,570)</u>	<u>312,660</u>	<u>282,471</u>	<u>(30,189)</u>
(261,679)	(149,142)	112,537	(289,654)	(77,326)	212,328
486,802	486,802	0	7,970	7,970	0
29,159	29,159	0	365,788	365,788	0
<u>\$254,282</u>	<u>\$366,819</u>	<u>\$112,537</u>	<u>\$84,104</u>	<u>\$296,432</u>	<u>\$212,328</u>

**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, 1999**

	<u>PROPRIETARY FUND TYPE</u>	<u>FIDUCIARY FUND TYPE</u>	<u>TOTAL</u>
	<u>ENTERPRISE</u>	<u>NONEXPENDABLE TRUST</u>	<u>(MEMORANDUM ONLY)</u>
<b>Operating Revenues:</b>			
Sales	\$744,461	\$0	\$744,461
Charges for Services	96,305	0	96,305
Miscellaneous	1,139	0	1,139
Total Operating Revenues	<u>841,905</u>	<u>0</u>	<u>841,905</u>
<b>Operating Expenses:</b>			
Salaries and Wages	600,736	0	600,736
Fringe Benefits	130,346	0	130,346
Purchased Services	42,250	0	42,250
Supplies and Materials	57,133	55	57,188
Cost of Sales	602,686	0	602,686
Depreciation	10,173	0	10,173
Total Operating Expenses	<u>1,443,324</u>	<u>55</u>	<u>1,443,379</u>
Operating Loss	<u>(601,419)</u>	<u>(55)</u>	<u>(601,474)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Interest	383	0	383
Federal and State Subsidies	386,832	0	386,832
Federal Donated Commodities	174,082	0	174,082
Loss on Disposal of Fixed Assets	(2,496)	0	(2,496)
Total Non-Operating Revenues (Expenses)	<u>558,801</u>	<u>0</u>	<u>558,801</u>
Net Loss	(42,618)	(55)	(42,673)
Retained Earnings/Fund Balance at Beginning of Year	<u>48,120</u>	<u>2,055</u>	<u>50,175</u>
<b>Retained Earnings/Fund Balance at End of Year</b>	<u><u>\$5,502</u></u>	<u><u>\$2,000</u></u>	<u><u>\$7,502</u></u>

*See Accompanying Notes to the General Purpose Financial Statements*

**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, 1999**

	<u>ENTERPRISE FUNDS</u>			<u>NONEXPENDABLE TRUST FUND</u>		
	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>Revenues:</b>						
Sales	\$797,893	\$744,461	(\$53,432)	\$0	\$0	\$0
Charges for Services	82,600	94,988	12,388	0	0	0
Interest	410	383	(27)	100	0	(100)
Federal and State Subsidies	350,476	327,006	(23,470)	0	0	0
Miscellaneous	1,221	1,139	(82)	0	0	0
<b>Total Revenues</b>	<u>1,232,600</u>	<u>1,167,977</u>	<u>(64,623)</u>	<u>100</u>	<u>0</u>	<u>(100)</u>
<b>Expenses:</b>						
Salaries and Wages	606,441	588,235	18,206	0	0	0
Fringe Benefits	197,522	193,334	4,188	0	0	0
Purchased Services	45,505	45,571	(66)	0	0	0
Supplies and Materials	487,111	487,234	(123)	150	55	95
Capital Outlay	14,486	10,312	4,174	0	0	0
<b>Total Expenses</b>	<u>1,351,065</u>	<u>1,324,686</u>	<u>26,379</u>	<u>150</u>	<u>55</u>	<u>95</u>
Excess of Revenues Under Expenses	(118,465)	(156,709)	(38,244)	(50)	(55)	(5)
Fund Equity at Beginning of Year	158,971	158,971	0	2,055	2,055	0
Prior Year Encumbrances Appropriated	26,218	26,218	0	0	0	0
<b>Fund Equity at End of Year</b>	<u>\$66,724</u>	<u>\$28,480</u>	<u>(\$38,244)</u>	<u>\$2,005</u>	<u>\$2,000</u>	<u>(\$5)</u>

See Accompanying Notes to the General Purpose Financial Statements

**COMBINED STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	TOTAL (MEMORANDUM ONLY)
	ENTERPRISE	NONEXPENDABLE TRUST	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$839,449	\$0	\$839,449
Other Operating Receipts	1,139	0	1,139
Cash Payments for Employee Services and Benefits	(781,569)	0	(781,569)
Cash Payments to Suppliers for Goods and Services	(528,814)	(55)	(528,869)
Net Cash Used In Operating Activities	(469,795)	(55)	(469,850)
<b>Cash Flows from Noncapital Financing Activities:</b>			
Federal and State Subsidies Received	327,006	0	327,006
Advance from General Fund	26,748	0	26,748
Net Cash Provided By Noncapital Financing Activities	353,754	0	353,754
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition of Capital Assets	(564)	0	(564)
Net Cash Used In Capital and Related Financing Activities	(564)	0	(564)
<b>Cash Flows from Investing Activities:</b>			
Interest	383	0	383
Net Cash Provided By Investing Activities	383	0	383
Net Decrease in Cash and Cash Equivalents	(116,222)	(55)	(116,277)
Cash and Cash Equivalents Beginning of Year	185,189	55	185,244
Cash and Cash Equivalents End of Year	\$68,967	\$0	\$68,967
<b>Reconciliation of Operating Loss to Net Cash Used In Operating Activities:</b>			
Operating Loss	(\$601,419)	(\$55)	(\$601,474)
<b>Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:</b>			
Depreciation	10,173	0	10,173
Donated Commodities Received	174,082	0	174,082
<b>Changes in Assets and Liabilities:</b>			
Increase in Accounts Receivable	(1,317)	0	(1,317)
Decrease in Inventory of Supplies and Materials	2,441	0	2,441
Decrease in Inventory Held for Resale	1,134	0	1,134
Decrease in Accounts Payable	(4,403)	0	(4,403)
Increase in Accrued Wages and Benefits	3,552	0	3,552
Decrease in Intergovernmental Payable	(64,097)	0	(64,097)
Increase in Compensated Absences Payable	10,059	0	10,059
<b>Net Cash Used In Operating Activities</b>	<b>(\$469,795)</b>	<b>(\$55)</b>	<b>(\$469,850)</b>
<b>Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Fund to Balance Sheet</b>			
Cash and Cash Equivalents-All Fiduciary Funds		\$55,282	
Cash and Cash Equivalents-Agency Funds		(55,282)	
Cash and Cash Equivalents-Nonexpendable Trust Fund		\$0	

*See Accompanying Notes to the General Purpose Financial Statements*



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

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

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 194 non-certificated employees, 253 certificated full-time teaching personnel and 18 administrative employees who provide services to 3,853 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

**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.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

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

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

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

**Governmental Fund Types:**

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

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

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

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

**Proprietary Fund 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** - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**A. Basis Of Presentation - Fund Accounting** (continued)

**Fiduciary Fund Types:**

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

**Account Groups:**

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

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

**General Long-Term 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.

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, tuition, grants, and student fees.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Measurement Focus and Basis of Accounting (continued)**

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund 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 agency funds, 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 object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

**Tax Budget:**

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Budgetary Data (continued)**

**Estimated Resources:**

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 1999.

**Appropriations:**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. There were no supplemental appropriations passed during fiscal year 1999.

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

**Encumbrances:**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. 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.

**Lapsing of Appropriations:**

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Cash and Cash Equivalents**

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

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

During fiscal year 1999, investments consisted of Fountain Square 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 following funds to receive an allocation of interest earnings: General Fund; District-Managed Student Activities Special Revenue Fund; Permanent Improvement Capital Projects Fund; and Food Service Enterprise Fund. Interest revenue credited to the General Fund during fiscal year 1999 amounted to \$252,317, which includes \$35,972 assigned from other School District funds. The special revenue funds, the capital projects funds and the enterprise funds also received interest in the amount of \$645, \$6,073 and \$383, 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 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.

**F. Prepaid Items**

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

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

(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**G. Restricted Assets**

Restricted assets in the general fund are cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent resources restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 23 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**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
- Innovative Education
- Migrant Education
- Schoolnet Professional Development
- Partnership Grant
- Textbooks/Instructional Materials Subsidy
- Title I

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**I. Intergovernmental Revenues (continued)**

*Non-Reimbursable Grants (continued)*

*Special Revenue Funds (continued)*

- Title III
- Title VI
- Title VI-B
- Drug Free Schools Grant
- Goals 2000 Intervention
- Asbestos Removal
- Teacher Development
- Venture Capital
- Jobs for Grads Grant
- Telecomm (E-rate) Grant
- Raising the Bar Grant

*Capital Projects Funds*

- School Net Plus
- Technology Equity Grant
- Emergency Building Repair

*Reimbursable Grants*

*General Fund*

- Driver Education

*Proprietary Funds*

- National School Lunch and Breakfast Programs
- Government Donated Commodities

Grants and entitlements received in governmental funds amounted to approximately 63 percent of governmental fund revenue during the 1999 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.



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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, 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, school bus purchases, 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.

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

The following funds had a deficit fund balance at June 30, 1999:

Disadvantaged Pupil Impact Aid Special Revenue Fund	\$4,515
Title I Special Revenue Fund	4,598
Permanent Improvement Capital Projects Fund	40,215
Food Service Enterprise Fund	89,599

The deficits in the Disadvantaged Pupil Impact Aid and the Title I Special Revenue Funds were created by the application of generally accepted accounting principles. The deficit in the Permanent Improvement Capital Projects Fund resulted from the issuance of notes during fiscal year 1999. Once the notes are retired or bonds are issued, the deficit will be eliminated. The deficit in the Food Service Enterprise Fund is a result of accumulated losses. The School District is analyzing Fund operations to determine appropriate steps to alleviate the deficit. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The following funds had expenditures plus encumbrances in excess of appropriations at June 30, 1999:

Fund	Appropriations	Expenditures Plus Encumbrance	Variance
General Fund			
Instruction			
Other			
Purchased Services	\$248,920	\$416,507	(\$167,587)
Special Revenue Funds:			
Martha Holden Jennings Grant Fund			
Instruction			
Special			
Supplies and Materials	59	504	(445)
Title I Fund			
Support Services			
Pupils			
Salaries	44,840	47,944	(3,104)
Other Financing Uses			
Refund of Prior Year Receipts	0	16,061	(16,061)
Title III Fund			
Support Services			
Instructional Staff			
Purchased Services	2,242	2,558	(316)
Administration			
Purchased Services	2,586	4,169	(1,583)

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE** (continued)

Fund	Appropriations	Expenditures Plus Encumbrance	
Title VI			
Other Financing Sources			
Refund of Prior Year Receipts	0	3,090	(3,090)
Title VI-B Fund			
Other Financing Uses			
Refund of Prior Year Receipts	0	499	(499)
Telecomm (E-Rate) Grant Fund			
Support Services			
Administration			
Purchased Services	0	3,659	(3,659)
Goals 2000 Intervention Fund			
Instruction			
Regular			
Capital Outlay - New	\$483	\$66,128	(\$65,645)
Support Services			
Instructional Staff			
Purchased Services	0	3,500	(3,500)
Operation and Maintenance of Plant			
Purchased Services	0	60,669	(60,669)
Other Financing Uses			
Refund of Prior Year Receipts	0	932	(932)
Capital Projects Funds:			
Permanent Improvement Fund			
Support Services			
Fiscal			
Other	15,945	16,021	(76)
Operation of Non-Instructional Services			
Food Service Operations			
Capital Outlay - Replacement	0	350	(350)
Technology Equity Grant Fund			
Support Services			
Instructional Staff			
Purchased Services	0	11,183	(11,183)
Materials and Supplies	2,079	2,763	(684)
Emergency Building Repair Fund			
Capital Outlay			

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (continued)**

Fund	Appropriations	Expenditures Plus Encumbrance	
Architecture and Engineering Services			
Purchased Services	0	18,900	(18,900)
Enterprise Fund:			
Food Service Fund			
Salaries	531,842	539,244	(7,402)
Fringe Benefits	178,101	180,580	(2,479)
Supplies and Materials	468,476	474,996	(6,520)
Capital Outlay	2,237	2,268	(31)

The following funds had appropriations in excess of estimated resources and available balances at June 30, 1999:

Fund	Appropriations	Estimated Resources Plus Available Balance	Variance
Special Revenue Funds:			
Partnership Grant Fund	\$1,509	\$1,400	(\$109)
Title I Fund	730,988	725,983	(5,005)
Capital Project Fund:			
School Net Plus Fund	370,433	370,132	(301)

**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).
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).

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

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING** (continued)

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. 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.
7. Advances - In and Advances - Out are operating transactions (budget basis) as opposed to balance sheet transactions.

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**

	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
GAAP Basis	\$944,611	\$844	\$387,070
Revenue Accruals	(396,023)	40,439	(39,107)
Expenditure Accruals	166,542	(35,372)	(20,201)
Prepaid Items	7,455	0	0
Advances	52,883	(12,354)	(40,529)
Excess of Revenues Under Expenditures for Nonbudgeted Funds	0	5,316	0
Principal Payment	0	0	(358,000)
Proceeds from Sale of Notes	0	0	323,000
Encumbrances	(533,597)	(148,015)	(329,559)
Budget Basis	<u>\$241,871</u>	<u>(\$149,142)</u>	<u>(\$77,326)</u>

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

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)**

	<b>Net Loss/Excess of Revenues Under Expenses Proprietary Fund Type</b>	
	<b>Enterprise</b>	<b>Nonexpendable Trust</b>
GAAP Basis	(\$42,618)	(\$55)
Revenue Accruals	(235,225)	0
Expense Accruals	126,343	0
Inventory of Supplies and Materials	(2,441)	0
Inventory Held for Resale	(1,134)	0
Capital Outlay	(564)	0
Depreciation Expense	10,173	0
Loss on Disposal of Fixed Assets	2,496	0
Encumbrances	(13,739)	0
Budget Basis	<u>(\$156,709)</u>	<u>(\$55)</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.

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;

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

(Continued)

**NOTE 5 - DEPOSITS AND INVESTMENTS (continued)**

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

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".

The "cash and cash equivalents with fiscal agent" of \$1,444 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 \$4,336,594 and the bank balance was \$4,614,181. Of the bank balance:

1. \$102,000 was covered by federal depository insurance; and
2. \$4,512,181 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.

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

(Continued)

**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

**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.

	<b>Category 2</b>	<b>Fair Value</b>
Fountain Square U.S. Treasury Obligations	\$102,442	\$102,442
Federal Home Loan Bank Bonds	99,660	99,660
Federal Farm Credit Bank Note	49,665	49,665
Federal Home Loan Mortgage Corporation Notes	148,310	148,310
Federal National Mortgage Association Notes	593,960	593,960
U.S. Treasury Notes	98,828	98,828
	<b>\$1,092,865</b>	<b>\$1,092,865</b>

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:

	<b>Cash and Cash Equivalents/Deposits</b>	<b>Investments</b>
GASB Statement 9	\$5,428,903	\$2,000
Certificate of Deposit	2,000	(2,000)
Cash and Cash Equivalents		
With Fiscal Agent	(1,444)	0
Investments:		
Fountain Square U.S.		
Treasury Obligations	(102,442)	102,442
Federal Home Loan Bank Bonds	(99,660)	99,660
Federal Farm Credit Bank Note	(49,665)	49,665
Federal Home Loan Mortgage		
Corporation Notes	(148,310)	148,310
Federal National Mortgage		
Association Notes	(593,960)	593,960
U.S. Treasury Notes	(98,828)	98,828
GASB Statement 3	<b>\$4,336,594</b>	<b>\$1,092,865</b>

**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.



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

(Continued)

**NOTE 6 - PROPERTY TAXES** (continued)

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 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, 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. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999, and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. 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 1999 taxes were collected are:

	<u>1998 Second- Half Collections</u>		<u>1999 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$172,513,370	87%	\$199,533,980	87%
Public Utility	13,044,240	7	14,756,850	7
Tangible Personal Property	<u>12,018,698</u>	<u>6</u>	<u>14,400,288</u>	<u>6</u>
Total Assessed Value	<u><u>\$197,576,308</u></u>	<u><u>100%</u></u>	<u><u>\$228,691,118</u></u>	<u><u>100%</u></u>
Tax rate per \$1,000 of assessed valuation	\$45.63		\$45.63	

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, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$1,277,962 in the General Fund and \$122,792 in the Permanent Improvement Capital Projects Fund.

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

(Continued)

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 1999, 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:

	<b>Amounts</b>
General Fund	
Drivers Education Reimbursement	\$1,550
Foundation Adjustment	189
Total General Fund	1,739
Special Revenue Funds:	
Migrant Education Fund	3,435
Preschool Grant Fund	3,148
Total Special Revenue Funds	6,583
Enterprise Fund:	
Food Service Fund	
State Lunch Reimbursement	2,755
State Breakfast Reimbursement	2,689
National School Lunch Program	42,921
National School Breakfast Program	11,461
Total Enterprise Funds	59,826
Total Intergovernmental Receivable	<b>\$68,148</b>

**NOTE 8 - FIXED ASSETS**

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

Furniture and Equipment	\$262,163
Less Accumulated Depreciation	(193,744)
Net Fixed Assets	<b>\$68,419</b>

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

**NOTE 8 - FIXED ASSETS (Continued)**

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

<u>Asset Category</u>	<u>Balance at 6/30/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/99</u>
Land and Improvements	\$317,878	\$0	\$0	\$317,878
Buildings and Improvements	8,746,622	274,074	0	9,020,696
Furniture, Fixtures and Equipment	3,701,180	304,705	27,371	3,978,514
Vehicles	1,128,586	404,519	81,170	1,451,935
Totals	<u>\$13,894,266</u>	<u>\$983,298</u>	<u>\$108,541</u>	<u>\$14,769,023</u>

There was no significant construction in progress at June 30, 1999.

**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 1999, 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 1999, 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.

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

(Continued)

**NOTE 9 - RISK MANAGEMENT** (continued)

**B. Workers' Compensation** (continued)

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 CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

**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 1999, 7.7 percent of annual covered salary was the portion to fund pension obligations. For fiscal year 1998, 9.02 percent was 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, 1999, 1998, and 1997 were \$222,508, \$366,766, and \$383,832, respectively; 37.15 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$139,841 representing the unpaid contribution for fiscal year 1999, 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, 1999, 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. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$588,283, \$1,087,077, and \$1,409,141, respectively; 80.72 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$113,422 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds.

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

(Continued)

**NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)**

**C. Social Security System**

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

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

The 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, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$784,378 for fiscal year 1999.

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

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, 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, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, 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 1999 fiscal year equaled \$248,718.

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

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

**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. Twelve percent of the remaining accrued but unused sick leave is paid, not to exceed nine days.

**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 EPC Dental Plan Trust 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 7/1/96 to 6/30/99:

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 1998, the School District had four employees who chose to accept the early retirement incentive. They will receive the payment in September 1999. At the end of fiscal year 1999, seven employees chose to accept the incentive and will be paid in September 2000. The liability at June 30, 1999 for these eleven employees has been recorded as an early retirement incentive liability in the General Long-Term Debt Account Group. 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, 1999 follows:

<u>Fund Type/Fund/Issue</u>	<u>Interest Rate</u>	<u>Balance at June 30, 1998</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 1999</u>
Capital Projects Fund:					
Energy Conservation Note	4.21%	\$358,000	\$323,000	\$358,000	\$323,000

The Energy Conservation Note was issued on September 17, 1998 and matures on September 16, 1999. 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.

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

**NOTE 14 - LONG-TERM OBLIGATIONS**

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

	<b>Amount Outstanding 6/30/98</b>	<b>Increases</b>	<b>Decreases</b>	<b>Amount Outstanding 6/30/99</b>
Intergovernmental Payable	\$228,390	\$240,322	\$228,390	\$240,322
Compensated Absences	1,376,988	0	73,294	1,303,694
Early Retirement Incentive Payable	100,000	202,000	100,000	202,000
<b>Total General Long-Term Obligations</b>	<b>\$1,705,378</b>	<b>\$442,322</b>	<b>\$401,684</b>	<b>\$1,746,016</b>

Compensated absences and early retirement incentive 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 \$20,582,201, the energy conservation debt margin was \$1,735,220 and the unvoted debt margin was \$228,991 at June 30, 1999.

**NOTE 15 - INTERFUND ACTIVITY**

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

<b>Fund Type/Fund</b>	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
General Fund	\$30,183	\$0
Title I Special Revenue Fund		3,435
Enterprise Food Service Fund	0	26,748
<b>Total All Funds</b>	<b>\$30,183</b>	<b>\$30,183</b>

During fiscal year 1999, the Title I Special Revenue Fund and the Food Service Enterprise Fund experienced cash flow shortages which created a cash deficit in these funds. For financial reporting purposes, the School District eliminated the cash deficit by recording an interfund payable in the Title I Special Revenue and the Food Service Enterprise Funds and an interfund receivable in the General Fund. The School District intends to eliminate the deficit cash balance in the Title I Special Revenue Fund by decreasing expenditures and in the Food Service Fund by increasing student lunch fees.

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

**NOTE 16 - CONTRACTUAL COMMITMENTS**

As of June 30, 1999, the School District had contractual purchase commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
Miami Geological Services, Inc.	EPA Site Assessment	\$12,872
Honeywell, Inc.	Temperature Control	13,241
Lex Electric Company	Emergency Electrical Repairs	37,500
Cardinal Bus Sales and Service	Bus Bodies	51,919
Honeywell, Inc.	Y2K Energy Management Upgrade	9,902
M.K. Moore and Sons, Inc.	Remove Damaged Asbestos	9,095
W.C. Jones Asphalt	Excavate, Grade, Base & 2" Asphalt	8,521
W.R. Kelso Co, Inc.	Roof Projects	160,198
Enterprise Roofing Company.	Roof Project	97,208
Mustang Development Company.	Replace Floor Tile	8,734
Widener Posey Architects	Roofing Project	5,524
Apple Computer	Equipment	50,908
JR Holcomb & Company	Equipment	8,382
Lex Electric Company	Wire Classrooms for Computers	9,576
Lex Electric Company	Electrical System Upgrades	22,400

**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, 1999.

	<u>Food Service</u>	<u>Latchkey</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$745,600	\$96,305	\$841,905
Depreciation Expense	5,764	4,409	10,173
Operating Income (Loss)	(612,076)	10,657	(601,419)



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

**NOTE 17 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS (continued)**

	<u>Food Service</u>	<u>Latchkey</u>	<u>Total Enterprise Funds</u>
Interest	\$383	\$0	\$383
Federal and State Subsidies	386,832	0	386,832
Donated Commodities	174,082	0	174,082
Net Income (Loss)	(52,086)	9,468	(42,618)
Fixed Assets Additions	564	0	564
Fixed Asset Deletions	3,267	1,699	4,966
Net Working Capital (Deficit)	(60,048)	62,727	2,679
Total Assets	148,904	106,032	254,936
Long-Term Intergovernmental Payable	21,316	3,375	24,691
Long-Term Compensated Absences Payable	40,905	0	40,905
Total Equity (Deficit)	(89,598)	95,100	5,502
Encumbrances Outstanding at June 30, 1999	8,250	5,489	13,739

**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.

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 \$33,441 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.

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

(Continued)

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (continued)**

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 1999, the School District paid \$84,226 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 831 Harshman Road, Dayton, Ohio 45424.

*Southwestern Ohio Instructional Technology Association* - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. 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. All Superintendents except for those from educational service centers vote on the representatives after nominating committee nominates individuals to run. One at-large non-public representative is elected by the non-public school SOITA members in 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 1999, the School District paid \$2,981 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 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.

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

(Continued)

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (continued)**

*Springfield/Clark County Joint Vocational School (continued)*

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 1999, 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 contributed \$100 to the Tecumseh Education Foundation during fiscal year 1999. 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.

**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, 1999, the School District received \$11,935,148 of school foundation support for its general fund.

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

(Continued)

**NOTE 20 - SCHOOL FUNDING COURT DECISION (Continued)**

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

**NOTE 21- CONTINGENCIES**

**A. Grants**

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, 1999.

**B. Litigation**

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

**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 School District also receives monies designated for school bus purchases. This amount is shown as a reserve for bus purchases.

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

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

**NOTE 22 - SET-ASIDE CALCULATIONS (Continued)**

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$80,264	\$80,264
Current Year Set-aside Requirement	294,778	294,778	147,389	736,945
Current Year Offsets	(53,374)	(613,719)	0	(667,093)
Qualifying Disbursements	<u>(507,925)</u>	<u>0</u>	<u>0</u>	<u>(507,925)</u>
Total	<u>(\$266,521)</u>	<u>(\$318,941)</u>	<u>\$227,653</u>	<u>(\$357,809)</u>
Cash Balance Carried Forward to FY 1999	<u>\$0</u>	<u>\$0</u>	<u>\$227,653</u>	<u>\$227,653</u>
Amount restricted for School Bus Purchases				<u>29,674</u>
Total Restricted Assets				<u><u>\$257,327</u></u>

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

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

<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>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
(Passed through State Department of Education)						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$180,292	\$0	\$174,082
School Breakfast Program	05PU98 05PU98	10.553	11,725 <u>50,419</u>	0 <u>0</u>	11,725 <u>50,419</u>	0 <u>0</u>
Total National School Breakfast Program			62,144	0	62,144	0
National School Lunch Program	03PU98 03PU99 04PU98 04PU99	10.555	10,223 49,823 33,264 <u>149,263</u>	0 0 0 <u>0</u>	10,223 49,823 33,264 <u>149,263</u>	0 0 0 <u>0</u>
Total National School Lunch Program			<u>242,573</u>	<u>0</u>	<u>242,573</u>	<u>0</u>
<b>Total U.S. Department of Agriculture - Nutrition Cluster</b>			304,717	180,292	304,717	174,082
<b>U.S. DEPARTMENT OF EDUCATION</b>						
(Direct Receipts)						
Telecommunication	N/A	84.XXX	14,739	0	3,659	0
Title VIII, Impact Aid	45-OH-92-0015	84.041	8,649	0	8,649	0
(Passed through State Department of Education)						
Absetos Removal		N/A	0	0	505	0
Title I	C1S198C  C1S199	84.010	35,229 0 0 <u>443,614</u>	0 0 0 <u>0</u>	107,224 39,317 29,709 <u>350,806</u>	0 0 0 <u>0</u>
Total Title I			478,843	0	527,056	0
Migrant Education - Basic State Formula Grant	MGS197P MGS199P	84.011	8,345 <u>35,305</u>	0 <u>0</u>	45,153 <u>38,740</u>	0 <u>0</u>
Total Migrant Education - Basic State Formula Grant			43,650	0	83,893	0
Title VI-B	6BSF97P 6BSF98P	84.027	18,193 <u>177,356</u>	0 <u>0</u>	35,757 <u>151,193</u>	0 <u>0</u>
Total Title VI-B			195,549	0	186,950	0
GOALS 2000	G2S298 G2S297 G2S298	84.276	0 (932) <u>1,480</u>	0 0 <u>0</u>	214 6,152 <u>2,070</u>	0 0 <u>0</u>
Total Goals 2000			548	0	8,436	0
Eisenhower Professional Development State Grant	MSS199	84.281	17,939	0	3,797	0
Innovative Educational Program Strategy	C2S197 C2S198 C2S199	84.298	(1,221) (1,869) <u>14,077</u>	0 0 <u>0</u>	7,997 690 <u>12,089</u>	0 0 <u>0</u>
Total Innovative Education Program Strategy Grant			10,987	0	20,776	0
Tech Literacy Challenge Fund		84.318	<u>150,000</u>	<u>0</u>	<u>28,693</u>	<u>0</u>
Total U.S. Department of Education			<u>920,904</u>	<u>0</u>	<u>872,414</u>	<u>0</u>
Total Federal Assistance			<u>\$1,225,621</u>	<u>\$180,292</u>	<u>\$1,177,131</u>	<u>\$174,082</u>

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

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

**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, 1999, the District had no significant food commodities inventory.

**NOTE C: TITLE VIII - IMPACT AID**

Cash receipts from the U.S. Department of Education are commingled with State grants. It is assumed that federal monies were expended first.

**NOTE D: DRUG FREE PROGRAM/PRESCHOOL TITLE VI-B**

The Clark County Education Service Center expended \$26,904 on the Drug Free Program and \$14,944 on Preschool Title VI-B, on behalf of Tecumseh Local School District during the current reporting period. These funds are not included in the Schedule of Federal Awards Expenditures.

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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, Clark County (the County) as of and for the year ended June 30, 1999, and have issued our report thereon dated February 3, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-10312-001 and 1999-10312-002. We also noted certain immaterial instances of noncompliance that we have reported to management of Tecumseh Local School District in a separate letter dated February 3, 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 1999-10312-003.

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. We believe the reportable condition described above is not 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 February 3, 2000.

Board of Education  
Tecumseh Local School District  
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 the 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

February 3, 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, Clark County (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

**Internal Control Over Compliance**

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying schedule of findings as item 1999-10312-004.

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. Our consideration of the internal control over compliance 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 believe the reportable condition described above is not a material weakness.

This report is intended for the information and use of the 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

February 3, 2000

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

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>1999-10312-001</b>
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Ohio Rev. Code Section 5705.41(B) states no subdivision is to expend money unless it has been appropriated.

Review of compliance with this Section of Code noted that the following funds had expenditures and encumbrances in excess of appropriations at June 30,1999:

**General Fund:**

Expenditures and encumbrances exceeded appropriations by \$167,587

**Special Revenue Funds:**

E-Rate Communications - expenditures and encumbrances exceeded appropriations by \$3,659.  
Raising the Bar Grant - expenditures and encumbrances exceeded appropriations by \$129,813.

**Capital Projects Funds:**

Tech Equity - expenditures and encumbrances exceeded appropriations by \$11,183.  
Emergency School Building Repair - expenditures and encumbrances exceeded appropriations by \$18,900.

**Enterprise Funds:**

Food Service - expenditures and encumbrances exceeded appropriations by \$17,044

In addition ,there were other immaterial instance where funds that were in violation of this Section which have not been disclosed.

By not following this Section of the Code the District could enter into contracts or approve expenditures where no funds are available.

<b>Finding Number</b>	<b>1999-10312-002</b>
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Ohio Rev. Code Section 5705.36 provides, in part, that upon the determination by a school district treasurer that the revenue to be collected by the school district will be greater or less than the amount included in the current official certificate, the fiscal officer shall certify the amount of the deficiency or excess to the commission and the commission shall certify an amended official certificate reflecting the deficiency or excess. By not reducing the certificate of estimated resources , the District could appropriate funds where no monies are available.

Review of compliance with this Section noted that the following funds had total estimated resources in excess of actual receipts at June 30,1999:

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	<b>1999-10312-002 (Continued)</b>
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**Special Revenue Funds:**

Title I Migrant Grant - total estimated resources exceeded actual receipts by \$49,695

**Capital Projects Funds:**

Permanent Improvement - total estimated resources exceeded actual receipts by \$99,139

**Enterprise Funds:**

Food Service - total estimated resources exceeded actual receipts by \$77,011

The District should routinely compare its budgeted resources to its actual activity and make all necessary amendments to ensure that operations are consistent with actual activity.

<b>Finding Number</b>	<b>1999-10312-003</b>
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The District did not have a comprehensive policy manual for their Latchkey program. Further, the Buildings did not follow the delinquent account procedure policy that was adopted by the Board, which resulted in a lack of consistency between the schools records. Specifically, the lack of a policy manual resulted in the following:

1. Of the cash payments receipts selected, 52% did not have the date(s) of the services rendered.
2. Receipt books were not used in consecutive order.
3. No reconciliation was being performed from the Latchkey cash receipts to the amount deposited and posted.
4. No accounts receivable ledger was maintained for Latchkey customers.
5. Three cash receipts selected were for more than two weeks of services.

These errors resulted in the inability to trace the attendance sheet records to actual payments to determine amounts owed by individual students, or to determine completeness. Also, there was a Latchkey receipt that was posted to a different account that was undetected by the District. Finally, the rates charged were not approved by the Board. Although these rates were approved by the elementary principals as a group, all rates should be reviewed and be approved by the Board.

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

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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**1. Title of Finding**

<b>Finding Number</b>	1999-10312-004
<b>CFDA Title and Number</b>	10.553 - School Breakfast Program; 10.555 - National School Lunch Program
<b>Federal Award Number / Year</b>	School Breakfast Program 05PU98 and 05PU98; National School Lunch Program 03PU98; 03PU99; 04PU98; 04PU99
<b>Federal Agency</b>	U.S. Department of Agriculture
<b>Pass-Through Agency</b>	Ohio Department of Education

**Type of Finding - Reportable Condition**

There were numerous errors noted in the Nutrition Cluster Program:

1. There was no indication that the applications were sent home to the parents notifying them that their child was approved to receive such meals in 10.34% of the applications tested
2. There was no signature/initials on the "signature of determining official" line of the free/reduced meal applications in 81.67% of the applications tested.
3. Food Service CN-6 and CN-7 reports were not approved in 50% of the reports selected.
4. There was no indication that free/reduced applications were input to the computer on 5.17% of the applications selected.
5. One free/reduced meal application was classified "reduced", however, should have been classified as "free" (2.5%).

These errors resulted in lack of proper notification to parents, no documentation of review by the proper authority on the applications and federal reports, no indication that the applications were input into the computer system properly, and improper benefit given to one child.

The District should implement procedures to ensure that parents have been notified which program type their child(ren) was approved, that school officials have reviewed all applications and federal reports, that applications have been inputted into the computer system, and all participants are properly classified.



**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 1999**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
1998-10312-001	Violation of O.R.C. 5705.36	No	Not corrected, citation repeated during current audit.
1998-10312-002	Violation of O.R.C. 5705.41 (B)	No	Not corrected, citation repeated during current audit.
1998-10312-003	Violation of O.R.C. 5705.412	Yes	N/A
1998-10312-004	Catering Services separating accounting	Yes	N/A
1998-10312-005	Reconcile Food Service Receipts	Yes	N/A





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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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  
MARCH 9, 2000**