

TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
CANTON/AKRON REGION, TUSCARAWAS COUNTY
REGULAR AUDIT
FOR THE YEAR ENDED JUNE 30, 1999

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REPORT OF INDEPENDENT ACCOUNTANTS

Tuscarawas Valley Local School District
Tuscarawas County
2637 Tuscarawas Valley Road N.E.
Zoarville, Ohio 44656

To the Board of Education:

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

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

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

Tuscarawas Valley Local School District
Tuscarawas County
Report of Independent Accountants
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In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2000, on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

A handwritten signature in black ink, appearing to read "Jim Petro", is written over the typed name and title.

JIM PETRO
Auditor of State

January 14, 2000

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TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1999

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type	Account Groups			Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise		Internal Service	General	Fixed Assets	
							Agency			
ASSETS AND OTHER DEBITS										
ASSETS:										
Equity in pooled cash and cash equivalents	\$630,234	\$146,451	\$272,531	\$265,817	\$61,937	\$56	\$51,072			\$1,428,098
Cash and cash equivalents with fiscal agent						172,325				172,325
Receivables (net of allowances of uncollectibles):										
Taxes - current & delinquent	4,142,998		554,257	101,283						4,798,538
Accounts	149									149
Interfund loan receivable	216,515									216,515
Due from other governments	1,300	8,200			13,540					23,040
Prepayments	16,969									16,969
Materials and supplies inventory	28,612				28,751					57,363
Restricted assets:										
Equity in pooled cash and cash equivalents	101,874									101,874
Property, plant and equipment (net of accumulated depreciation where applicable)					135,277			\$13,454,524		13,589,801
OTHER DEBITS:										
Amount available in debt service fund								\$367,578		367,578
Amount to be provided for retirement of general long-term obligations								7,545,348		7,545,348
Total assets and other debits	\$5,138,651	\$154,651	\$826,788	\$367,100	\$239,505	\$172,381	\$51,072	\$7,912,926	\$13,454,524	\$28,317,598

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

--Continued

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

	Governmental Fund Types				Proprietary Fund Types			Fiduciary Fund Type	Account Groups			Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations			
LIABILITIES, EQUITY AND OTHER CREDITS												
LIABILITIES:												
Accounts payable	\$34,710	\$3,862		\$32,864	\$4,739							\$76,175
Accrued wages and benefits	814,712	33,391			31,918							880,021
Compensated absences payable	9,224				46,521				\$589,469			645,214
Claims payable						\$99,007						99,007
Pension obligation payable	105,646	5,122			17,797				63,476			192,041
Interfund loan payable		4,224			39,966	172,325						216,515
Deferred revenue	3,421,508		\$459,210	83,850	11,765							3,976,333
Due to other governments	2,434	344				125,485						128,263
Due to students							\$51,072					51,072
General obligation bond payable									6,949,981			6,949,981
Energy conservation loan payable									310,000			310,000
Total liabilities	4,388,234	46,943	459,210	116,714	152,706	396,817	51,072		7,912,926			13,524,622
EQUITY AND OTHER CREDITS:												
Investment in general fixed assets									\$13,454,524			13,454,524
Contributed capital					7,902							7,902
Retained earnings (accumulated deficit): unreserved					78,897	(224,436)						(145,539)
Fund balances:												
Reserved for encumbrances	228,449	6,340		141,330								376,119
Reserved for materials and supplies inventory	28,612											28,612
Reserved for school bus allowance	33,732											33,732
Reserved for prepayments	16,969											16,969
Reserved for debt service			272,531									272,531
Reserved for tax revenue unavailable for appropriation	721,490											833,970
Reserved for budget stabilization	99,502		95,047	17,433								99,502
Reserved for textbooks	2,372											2,372
Unreserved-undesignated (deficit)	(380,709)	101,368		91,623								(187,718)
Total equity and other credits	750,417	107,708	367,578	250,386	86,799	(224,436)			13,454,524			14,792,976
Total liabilities, equity and other credits	\$5,138,651	\$154,651	\$826,788	\$367,100	\$239,505	\$172,381	\$51,072		\$13,454,524		\$7,912,926	\$28,317,598

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

TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
From local sources:					
Taxes	\$3,313,160		\$502,648	\$90,097	\$3,905,905
Tuition	1,937				1,937
Earnings on investments	72,852			6,018	78,870
Extracurricular activities		\$100,648			100,648
Other local revenues	52,113	34,403			86,516
Intergovernmental - State	4,181,907	128,462	67,365	19,371	4,397,105
Intergovernmental - Federal		192,173			192,173
Total revenue	7,621,969	455,686	570,013	115,486	8,763,154
Expenditures:					
Current:					
Instruction:					
Regular	3,643,692	141,964		91,372	3,877,028
Special	476,219	101,577			577,796
Vocational	104,747				104,747
Support services:					
Pupil	215,780	8,237			224,017
Instructional staff	229,345	55,636			284,981
Board of education	15,590				15,590
Administration	992,538	42,357			1,034,895
Fiscal	213,191	1,500	9,471	1,776	225,938
Operations and maintenance	734,509				734,509
Pupil transportation	502,146	18,053			520,199
Central	3,600				3,600
Extracurricular activities	170,346	115,760			286,106
Facilities acquisition and construction				161,341	161,341
Debt service:					
Principal retirement			190,000		190,000
Interest and fiscal charges	19,265		426,487		445,752
Bond issuance costs	0		697,969		697,969
Total expenditures	7,320,968	485,084	1,323,927	254,489	9,384,468
Excess (deficiency) of revenues over (under) expenditures	301,001	(29,398)	(753,914)	(139,003)	(621,314)
Other financing sources (uses):					
Proceeds from sale of fixed assets	4,068				4,068
Accrued interest on bonds sold			1,393		1,393
Proceeds of refunding bonds			7,647,950		7,647,950
Payment to refunded bond escrow agent			(6,950,000)		(6,950,000)
Operating transfers in	1,792				1,792
Operating transfers out	(36,782)				(36,782)
Total other financing sources (uses)	(30,922)		699,343		668,421
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	270,079	(29,398)	(54,571)	(139,003)	47,107
Fund balance, July 1	475,138	137,168	422,149	389,389	1,423,844
Increase (decrease) in reserve for inventory	5,200	(62)			5,138
Fund balance, June 30	\$750,417	\$107,708	\$367,578	\$250,386	\$1,476,089

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

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

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance:	Revised Budget	Actual	Variance:	Revised Budget	Actual	Variance:	Revised Budget	Actual	Variance:	Revised Budget	Actual	Variance:
			Favorable (Unfavorable)			Favorable (Unfavorable)			Favorable (Unfavorable)			Favorable (Unfavorable)			Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes.....	\$3,294,313	\$3,508,564	\$214,251				\$542,640	\$557,699	\$15,059	\$97,100	\$104,582	\$7,482	\$3,934,053	\$4,170,845	\$236,792
Tuition.....	485	1,937	1,452						18	6,000	6,018		485	1,937	1,452
Earnings on investments.....	66,464	72,852	6,388	\$84,500	\$100,255	\$15,755							72,464	78,870	6,406
Extracurricular activities.....	17,946	49,326	31,380	31,283	33,327	2,044							40,229	100,255	15,755
Other local revenues.....	4,081,583	4,190,607	99,024	149,280	149,280	0	67,360	67,365	5	19,339	19,371	32	4,317,562	4,416,623	99,061
Intergovernmental - State.....				183,972	183,972	0							183,972	183,972	0
Intergovernmental - Federal.....				449,035	468,834	17,799	610,069	625,064	15,064	122,439	129,971	7,532	8,642,265	9,035,155	392,890
Total revenues.....	7,460,791	7,813,286	352,495	449,035	468,834	17,799	610,069	625,064	15,064	122,439	129,971	7,532	8,642,265	9,035,155	392,890
Expenditures:															
Current:															
Instruction:															
Regular.....	3,829,194	3,774,848	\$54,346	189,897	160,619	29,278				139,975	101,836	38,139	4,159,066	4,037,303	121,763
Special.....	484,704	471,193	13,511	119,983	105,852	14,131							604,687	577,045	27,642
Vocational.....	111,244	105,096	6,148										111,244	105,096	6,148
Support services:															
Pupil.....	235,950	211,046	24,904	12,464	8,308	4,156							248,414	219,354	29,060
Instructional staff.....	234,832	225,665	9,167	73,789	53,398	20,391							308,621	279,063	29,558
Board of Education.....	26,641	16,445	10,196										26,641	16,445	10,196
Administration.....	1,003,257	965,834	37,423	52,133	41,031	11,102							1,055,390	1,006,865	48,525
Fiscal.....	223,915	211,682	12,233	2,000	1,500	500	10,000	9,471	529	2,000	1,776	224	237,915	224,429	13,486
Operations and maintenance.....	823,739	765,602	58,137	28,076	18,062	10,014							823,739	765,602	58,137
Pupil transportation.....	694,761	643,949	50,812										722,837	662,011	60,826
Central.....	14,050	3,600	10,450										311,713	293,674	18,039
Extracurricular activities.....	181,368	170,570	10,798	130,345	123,104	7,241				321,896	298,119	23,777	321,896	298,119	23,777
Facilities acquisition and construction.....															
Debt service:															
Principal retirement.....	96,541	91,000	5,541				160,000	160,000	0				160,000	160,000	0
Interest and fiscal charges.....	19,791	19,791	0				425,980	425,961	19				445,771	445,752	19
Bond issuance costs.....								697,969	(697,969)				0	697,969	(697,969)
Total expenditures.....	7,979,987	7,678,321	301,666	608,687	511,874	96,813	395,980	1,293,403	(697,421)	463,871	401,731	62,140	9,648,525	9,385,327	(263,802)
Excess (deficiency) of revenues over (under) expenditures.....	(519,196)	134,965	654,161	(159,652)	(45,040)	114,612	14,020	(668,337)	(682,337)	(341,432)	(271,760)	69,672	(1,006,260)	(850,172)	156,088
Other financing sources (uses):															
Refund of prior year's expenditures.....	0	2,638	2,638										0	2,638	2,638
Operating transfers in.....	0	1,792	1,792										0	2,868	2,868
Operating transfers (out).....	0	(36,785)	(36,785)										0	(36,785)	(36,785)
Advances in.....	0	159,789	159,789										0	164,508	164,508
Advances (out).....	0	(229,305)	(229,305)										0	(230,838)	(230,838)
Proceeds of sale of fixed assets.....	0	4,068	4,068										0	4,068	4,068
Accrued interest on bonds sold.....							0	1,393	1,393				0	1,393	1,393
Proceeds of refunding bonds.....							0	7,647,950	7,647,950				0	7,647,950	7,647,950
Payment to refunding bond escrow agent.....							0	(6,950,000)	(6,950,000)				0	(6,950,000)	(6,950,000)
Total other financing sources (uses).....	0	(97,803)	(97,803)	0	4,262	4,262	0	699,343	699,343	(341,432)	(271,760)	69,672	0	605,802	605,802
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses).....	(519,196)	37,162	556,358	(159,652)	(40,778)	118,874	14,020	31,006	16,986	(341,432)	(271,760)	69,672	(1,006,260)	(244,370)	761,890
Fund balances, July 1.....	195,487	195,487	0	130,068	130,068	0	241,525	241,525	0	313,790	313,790	0	880,870	880,870	0
Prior year encumbrances appropriated.....	205,519	205,519	0	46,657	46,657	0	0	0	0	52,542	52,542	0	304,718	304,718	0
Fund balances, June 30.....	(518,190)	\$438,168	\$556,358	\$17,073	\$135,947	\$118,874	\$255,545	\$272,531	\$16,986	\$24,900	\$94,572	\$69,672	\$179,328	\$941,218	\$761,890

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

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

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Operating revenues:			
Tuition and fees	\$49,972		\$49,972
Sales/charges for services	228,908	\$832,175	1,061,083
Total operating revenues	278,880	832,175	1,111,055
Operating expenses:			
Personal services	222,544	53,593	276,137
Contract services	5,664		5,664
Materials and supplies	191,998		191,998
Depreciation	13,083		13,083
Claims expense		813,240	813,240
Total operating expenses	433,289	866,833	1,300,122
Operating loss	(154,409)	(34,658)	(189,067)
Nonoperating revenues (expenses):			
Operating grants	98,547		98,547
Gain on disposal of fixed assets	60		60
Interest revenue	933		933
Federal commodities	23,315		23,315
Other nonoperating expenses	(516)		(516)
Total nonoperating revenues (expenses)	122,339		122,339
Net loss before operating transfers	(32,070)	(34,658)	(66,728)
Operating transfers in	36,782		36,782
Operating transfers out	(1,792)		(1,792)
Net income (loss)	2,920	(34,658)	(31,738)
Retained earnings (accumulated deficit)			
at July 1	75,977	(189,778)	(113,801)
Retained earnings (accumulated deficit)			
at June 30	\$78,897	(\$224,436)	(\$145,539)

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

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

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Cash flows from operating activities:			
Cash received from tuition and fees	\$49,972		\$49,972
Cash received from sales/service charges	228,908	\$832,175	1,061,083
Cash payments for personal services	(221,050)	(53,593)	(274,643)
Cash payments for contract services	(5,590)		(5,590)
Cash payments supplies and materials	(183,510)		(183,510)
Cash payments for claims expenses		(778,582)	(778,582)
 Net cash used in operating activities	 (131,270)	 0	 (131,270)
 Cash flows from noncapital financing activities:			
Cash received from operating grants	98,831		98,831
Cash received from operating transfers in	36,782		36,782
Cash received from operating transfers out	(2,308)		(2,308)
Cash received from interfund loans	52,261	172,325	224,586
Cash payments used in repayment of interfund loans	(63,357)	(94,642)	(157,999)
 Net cash provided by noncapital financing activities	 122,209	 77,683	 199,892
 Cash flows from capital and related financing activities:			
Proceeds from sale of fixed assets	60		60
 Net cash provided by capital and related financing activities	 60		 60
 Cash flows from investing activities:			
Interest received	933		933
 Net cash provided by investing activities	 933	 0	 933
 Net increase (decrease) in cash and cash equivalents	 (8,068)	 77,683	 69,615
Cash and cash equivalents at beginning of year	70,005	94,698	164,703
Cash and cash equivalents at end of year	\$61,937	\$172,381	\$234,318
 Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	(\$154,409)	(\$34,658)	(\$189,067)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	13,083		13,083
Federal donated commodities	23,315		23,315
<i>Changes in assets and liabilities:</i>			
Increase in materials and supplies inventory	(11,534)		(11,534)
Decrease in accounts payable	(3,734)		(3,734)
Decrease in accrued wages & benefits	(1,884)		(1,884)
Increase in compensated absences payable	2,924		2,924
Increase in pension obligation payable	454		454
Increase in due to other governments		67,863	67,863
Decrease in claims payable		(33,205)	(33,205)
Increase in deferred revenue	515		515
 Net cash used in operating activities	 (131,270)	 \$0	 (131,270)

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

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Tuscarawas Valley Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District ranks as the 326th largest by total enrollment among the 612 districts in the State. It operates under a locally-elected five member board and provides educational services as authorized and mandated by state and federal agencies. The Board controls the District's five instructional support facilities staffed by 63 classified employees and 103 certificated teaching personnel, and 6 administrators, who provide services to 1,770 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

Buckeye Joint Vocational School District (JVSD)

The JVSD is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The JVSD's Board of Education is comprised of representatives from the Board of each participating school district. The JVSD's Board is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. The District's students may attend the vocational school. Each school district's control is limited to its representation on the JVSD's Board. During fiscal year 1999, no monies were paid to the JVSD by the District.

Ohio Mid-Eastern Regional Educational Services Agency (OME-RESA)

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

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

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

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

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

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

OME-RESA is located at 2023 Sunset Blvd., Steubenville, Ohio 43952. The Jefferson County Educational Service Center is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

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

Tuscarawas County Tax Incentive Review Council (TCTIRC)

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

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool. The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

Ohio Mid-Eastern Regional Educational Services Agency (OME-RESA)

The District participates in the OME-RESA Self-Insurance Plan, a claims servicing pool comprised of fifty members. Each participant is a member of the assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from OME-RESA's assembly. Each member pays a monthly premium based on their claims history and a monthly administration fee. The District paid \$13,413 to OME-RESA in fiscal year 1999 for services. All participating members retain their risk and the Plan acts as the claims servicing agent.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

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

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

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

General Fund - The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

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

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

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

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

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

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the District's proprietary fund types:

Enterprise Funds - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body 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 (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds - The internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis.

FIDUCIARY FUNDS

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

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

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

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 general nature, the following account groups are used.

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

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary funds.

C. Measurement Focus/Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the combined balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

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

The modified accrual basis of accounting is followed for governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year) and accounts (student fees and tuition). Property taxes measurable as of June 30, 1999 and delinquent property taxes, whose availability is indeterminate and are intended to finance fiscal 2000 operations, have been recorded as deferred revenues, except for that portion which is available from the County Auditor as an advance at June 30. This amount is recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

The District reports deferred revenue 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. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

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

The proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as donated commodities revenue.

D. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 1999 is as follows:

1. Prior to January 15 of the preceding year, 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Tuscarawas County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the Appropriation Measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1999.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

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

4. By July 1, 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. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. 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.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 1999 in the following amounts:

	<u>Increase</u>
General Fund	\$250,000
Special Revenue Funds	16,990
Capital Projects Funds	58,439
Enterprise Funds	31,500
Internal Service Fund	133,081
Agency Fund	25,000

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

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

8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 17 provides a reconciliation of the budgetary and GAAP basis of accounting for governmental fund types and Note 14 provides disclosure of the encumbrances outstanding for the enterprise funds at fiscal year end.

E. Cash and Investments

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

During fiscal year 1999, investments were limited to STAR Ohio and a repurchase agreement. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

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

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

Under existing Ohio statute all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the General Fund and the Building Capital Projects Fund. Interest is also credited to the Food Service Enterprise Fund based upon federal mandate. Interest revenue credited to the General Fund during fiscal 1999 amounted to \$72,852 which includes \$40,828 assigned from other District funds, and interest revenue credited to the Building Capital Projects Fund during fiscal 1999 amounted to \$6,018, which included \$576 assigned from other District funds.

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

An analysis of the Treasurer's investment account at year end is provided in Note 4.

F. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than one year. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Assets Account Group.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

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

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture, fixtures and equipment	5-20

G. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants for proprietary fund operations are recognized as nonoperating revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program
School Bus Purchase Reimbursement

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

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

Non-Reimbursable Grants

Special Revenue Funds

Title VI-B

Education Management Information Systems

Title I

Drug-Free Grant

Preschool Program

Title VI

Professional Development Block Grant

Venture Capital

Textbook/Instructional Material Subsidy

Entry Year Program

Capital Projects Funds

Technology Equity

Permanent Improvement

Reimbursable Grants

General Fund

Driver Education Reimbursement

Enterprise Fund

National School Lunch Program

National School Breakfast Program

Government Donated Commodities

Grants and entitlements amounted to approximately 47 percent of the District's operating revenue during the 1999 fiscal year.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

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

H. Compensated Absences

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

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

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

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

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

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

I. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

J. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, debt service, prepayments, materials and supplies inventory, tax advance unavailable for appropriation, budget stabilization and textbooks. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

K. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

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

3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "Interfund loans receivable or payable". The District had short-term interfund loans receivable and payable at June 30, 1999.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 1999.

An analysis of interfund transactions is presented in Note 5.

L. Inventory

Inventories for all governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

M. Prepayments

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

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

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

N. Contributed Capital

Contributed capital is recorded in proprietary funds that have received contributions from other funds. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

O. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents set aside to establish a budget stabilization and textbook reserve. These reserves are required by State statute. The budget stabilization reserve can be used only after receiving approval from the State Superintendent of Public Instruction. Fund balance reserves have also been established. See Note 19 for detail of statutory reserves.

P. Estimates

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

Q. Bond Discounts, Premiums and Issuance Costs

When the proceeds from general obligation bonded debt are placed in a governmental fund type, any bond issuance costs are shown as "Capital Outlay". Any premium or discount is included in "Other Financing Sources - Bond Proceeds" on the Statement of Revenues, Expenditures and Changes in Fund Balance. The long-term debt that appears in the General Long-Term Obligations Account Group is always reported at the bond's face value.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

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

R. Memorandum Only - Total Columns

Total columns on the GPFS are captioned (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 changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Retained Earnings

Retained earnings at June 30, 1999, included the following individual fund deficit:

	<u>Deficit Balance</u>
<u>Internal Service Fund</u>	
Employee Benefits Self-Insurance	\$(244,492)

This fund complied with Ohio state law, which does not permit a cash basis deficit at year end. The deficit retained earnings in the Employee Benefits Self-Insurance Internal Service Fund is due to the reporting of an "Advance in" from another fund as an interfund loan payable rather than as an "Other financing source" and due to the reporting of a liability for claims incurred prior to June 30, 1999, but not paid until fiscal 2000. This deficit will be funded as premiums are collected to pay the interfund loan and the claims.

B. Noncompliance

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

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE -(Continued)

Fund/Function	Appropriations	Expenditures Plus Encumbrances	Excess
Debt Service Fund			
Debt Service			
Bond issuance costs	\$0	\$697,969	(\$697,969)
Other Financing (Uses)			
Payment to refunded bond escrow agent	\$0	\$6,950,000	(\$6,950,000)

These variances are the result of the District advance refunding the general obligation school improvement bonds. A third party financial institution served as trustee for the advance refunding and was responsible for purchasing U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

Active Monies: those monies required to be kept in a "cash" or "near-cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) account, or in money market deposit accounts.

Inactive Monies: those monies not required for use within the current two year period of designation of depositories. Inactive monies may be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook account.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

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

Interim Monies: 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 monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts.

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

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

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

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

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

6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 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 and Reverse Repurchase Agreements".

Cash with fiscal agent: At June 30, 1999, the District had a negative cash balance with the Ohio Mid-Eastern Regional Educational Service Agency of \$125,485. This amount has been reflected on the balance sheet as "Due to other governments". Cash in the amount of \$172,325, reported in the Employee Benefits Self Insurance Internal Service Fund at June 30, 1999, represents an advance from the General Fund. This amount is equally offset on the balance sheet by the liability account "Interfund loans payable".

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

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

Deposits: At year end the carrying amount of the District's deposits was \$45,300 and the bank balance was \$167,896. Of the bank balance:

1. \$100,000 was covered by federal deposit insurance.
2. \$67,896 was uninsured and unregistered because it was secured by collateral held by third party trustees pursuant to Section 135.181, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Repurchase agreement	\$177,782	\$ 177,782	\$ 177,782
Investment in STAR Ohio	_____	<u>1,479,215</u>	<u>1,479,215</u>
Total investments	<u>\$177,782</u>	<u>\$1,656,997</u>	<u>\$1,656,997</u>

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

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

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

A reconciliation between the classifications of pooled cash and cash equivalents and investments on the combined balance sheet (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$1,702,297	\$ 0
Investments of the cash management pool:		
Repurchase agreement	(177,782)	177,782
Investment in STAR Ohio	(1,479,215)	1,479,215
GASB Statement No. 3	\$ 45,300	\$1,656,997

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 1999, consist of the following individual interfund loans receivable and payable:

Fund	Interfund Receivable	Interfund Payable
General	\$216,515	\$ 0
<u>Special Revenue</u>		
Title I	0	4,224
<u>Enterprise</u>		
Uniform School Supplies	0	4,147
Food Service	0	35,819
<u>Internal Service</u>		
Employee Benefits Self-Insurance	0	172,325
Totals	\$216,515	\$216,515

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 1,792	\$36,782
<u>Enterprise</u>		
Uniform School Supplies	1,186	1,792
Food Service	<u>35,596</u>	<u>0</u>
Totals	<u>\$38,574</u>	<u>\$38,574</u>

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35 percent of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35 percent of market value and personal property is assessed at 100 percent of market value except for the personal property of rural electric companies which is assessed 50 percent of market and railroads which are assessed at 29 percent.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25 percent of true value. The assessed value upon which the real property 1998 taxes were collected was \$149,422,171. Agricultural/residential and public utility/minerals real estate represented \$112,465,790 or 75.27 percent of this total, commercial & industrial real estate represented \$16,384,136 or 10.96 percent of this total, public utility tangible represented \$14,119,020 or 9.45 percent of this total and general

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 6 - PROPERTY TAXES - (Continued)

tangible property represented \$6,453,225 or 4.32 percent of this total. The voted general tax rate at the fiscal year ended June 30, 1999 was \$36.20 per \$1,000 of assessed valuation for operations, \$1.70 per \$1,000 of assessed valuation for permanent improvements, and \$4.00 per \$1,000 of assessed valuation for debt service.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

The Tuscarawas and Stark County Treasurers collect real estate property taxes on behalf of the District. The respective County Auditors periodically remit to the District its portion of the taxes collected with final settlement in March and September. Such collections are available to pay current period liabilities.

The Tuscarawas and Stark County Treasurers also collect personal property taxes on behalf of all taxing districts within the Counties. The respective County Auditors periodically remit to the District its portion of the taxes collected with final settlement in February and August. Such collections are available to pay current period liabilities.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, 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, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. The amount of tax advance available at year end was \$833,970 and has been recorded as revenue.

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

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 7 - RECEIVABLES

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

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General</u>	
Taxes - current & delinquent	\$4,142,998
Interfund loan receivable	216,515
<u>Special Revenue</u>	
Due from other governments	8,200
<u>Debt Service</u>	
Taxes - current & delinquent	554,257
<u>Capital Projects</u>	
Taxes - current & delinquent	101,283
<u>Enterprise</u>	
Due from other governments	13,540

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 8 - FIXED ASSETS

A summary of the changes in the General Fixed Assets Account Group during the fiscal year follows:

	<u>Balance</u> <u>July 1, 1998</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 1999</u>
Land/ improvements	\$ 327,081	\$ 42,238	\$ 0	\$ 369,319
Buildings/ improvements	8,556,980	76,702	0	8,633,682
Furniture/ equipment	3,546,074	202,858	(53,905)	3,695,027
Vehicle	<u>743,876</u>	<u>19,420</u>	<u>(6,800)</u>	<u>756,496</u>
Total	<u>\$13,174,011</u>	<u>\$341,218</u>	<u>\$(60,705)</u>	<u>\$13,454,524</u>

A summary of the proprietary fixed assets at June 30, 1999 follows:

Furniture and equipment	\$ 314,880
Less: accumulated depreciation	<u>(179,603)</u>
Net fixed assets	<u>\$ 135,277</u>

NOTE 9 - CONTRIBUTED CAPITAL

Contributed capital for the year ended June 30, 1999 are summarized by source as follows:

	<u>Food Service</u>
Contributed capital, July 1, 1998	\$6,776
Current contributions from other funds	<u>1,126</u>
Contributed capital, June 30, 1999	<u>\$7,902</u>

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 10 - OPERATING LEASE

The District entered into an operating lease for 5 copiers on September 5, 1997. The minimum annual rental commitments under this operating lease as of June 30, 1999, are the following:

<u>Fiscal Year</u>	<u>Minimum Commitment</u>
2000	<u>\$46,692</u>
Total	<u>\$46,692</u>

NOTE 11 - LONG-TERM OBLIGATIONS

- A. On June 3, 1999, the District issued \$6,949,981 general obligation various purpose refunding bonds. The bonds bear interest at rates ranging from 3.40 percent to 5.35 percent per annum and mature in various installments through December 1, 2019. The proceeds of the bonds were used to advance refund the 1995 general obligation school improvement bonds by purchasing U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The total amount of funds available in the trust at June 30, 1999, was \$7,524,972. The refunded bonds are not included in the District's outstanding debt since the District has satisfied its obligations through the advance refunding. The principal balance of the general obligation refunding bonds at June 30, 1999, was \$6,949,981.

During fiscal year 1999, the district made a \$160,000 principal payment on the refunded bonds (prior to the advance refunding). This amount is reported as debt service principal retirement in the governmental funds.

The District advance refunded the 1995 general obligation school improvement bonds to reduce its total debt service over the next 20 years by \$302,721 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$214,682.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

A. The following is a description of the District's advance refunding activity for fiscal year 1999:

	<u>Outstanding July 1, 1998</u>	<u>Issued In 1999</u>	<u>Retired In 1999</u>	<u>Outstanding June 30, 1999</u>
General Obligation Bonds	<u>\$7,110,000</u>	<u>\$6,949,981</u>	<u>\$(7,110,000)</u>	<u>\$6,949,981</u>

B. The District also has an energy conservation loan outstanding at June 30, 1999. The energy conservation loan was issued in fiscal year 1997, pursuant to Section 3313.372 of the Ohio Revised Code in anticipation of energy cost savings to be realized from an energy conservation project under House Bill 264. Payments of principal and interest relating to this liability are recorded as expenditures in the Debt Service Fund. Unmatured obligations are accounted for in the General Long-Term Obligations Account Group.

C. The following is a description of the District's long-term obligations outstanding as of June 30, 1999:

	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 1998</u>	<u>Issued in 1999</u>	<u>Retired in 1999</u>	<u>Outstanding June 30, 1999</u>
General Obligation Bond	3.40%-4.65%	12/01/19	\$7,110,000	\$6,949,981	(\$7,110,000)	\$6,949,981
Energy Conservation Loan	5.70%	Various	<u>340,000</u>	<u>0</u>	<u>(30,000)</u>	<u>310,000</u>
Total			<u>\$7,450,000</u>	<u>\$6,949,981</u>	<u>\$(7,140,000)</u>	<u>\$7,259,981</u>

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

D. The following is a summary of the District's future annual debt service requirements to maturity for general obligation debt:

<u>Fiscal Year Ending</u>	<u>Principal on Debt</u>	<u>Interest on Debt</u>	<u>Total</u>
2000	\$ 280,000	\$ 247,136	\$ 527,136
2001	390,000	236,628	626,628
2002	390,000	223,594	613,594
2003	410,000	209,867	619,867
2004	425,000	195,021	620,021
2005 - 2009	2,300,000	717,803	3,017,803
2010 - 2014	2,260,116	617,788	2,877,904
2015 - 2019	690,559	2,229,438	2,919,997
2020	<u>114,306</u>	<u>465,694</u>	<u>580,000</u>
Total	<u>\$7,259,981</u>	<u>\$5,142,969</u>	<u>\$12,402,950</u>

E. During the year ended June 30, 1999, the following changes occurred in the liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid. The operating lease payments are made from the general fund.

	<u>Balance July 1, 1998</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 1999</u>
Compensated absences	\$ 528,913	\$ 83,268	\$ (22,712)	\$ 589,469
Pension obligation payable	66,974	63,476	(66,974)	63,476
General obligation bond payable	7,110,000	6,949,981	(7,110,000)	6,949,981
Energy conservation loan	<u>340,000</u>	<u>0</u>	<u>(30,000)</u>	<u>310,000</u>
Total	<u>\$8,045,887</u>	<u>\$7,096,725</u>	<u>\$(7,229,686)</u>	<u>\$7,912,926</u>

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

F. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The effects of these debt limitations at June 30, 1999 are a voted debt margin of \$6,865,592 (including available funds of \$367,578) and an unvoted debt margin of \$149,422.

NOTE 12 - NOTE PAYABLE

On June 2, 1998, the District borrowed \$63,000 under the Ohio School Districts Cash Flow Borrowing Program. This borrowing was needed to cover current operating expenses of the District. Repayment of this obligation was made from the General Fund on December 23, 1998.

NOTE 13 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year 1999, the District contracted with Indiana Insurance Company for property and fleet insurance. Coverages provided by Indiana Insurance are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	
Inland Marine Coverage (\$50 deductible), and	
Boiler and Machinery (\$1,000 deductible)	\$25,126,168
Automobile Liability (\$1,000 deductible)	2,000,000
Uninsured Motorists (\$1,000 deductible)	2,000,000

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

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 13 - RISK MANAGEMENT - (Continued)

A. Professional liability is protected by The Nationwide Insurance Company with a \$1,000,000 single occurrence limit, a \$5,000,000 aggregate limit, and no deductible. The Nationwide Insurance Company also maintains \$25,000 public official bonds for the Board President, Superintendent, and Assistant Treasurer as well as a \$25,000 bond for the Treasurer. In addition, the Utica National Insurance Group provides public employee blanket bond for other employees.

B. Workers' Compensation

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

C. Employee Medical Benefits

The District provides employee medical/surgical benefits through a self-insured plan and maintains a Self Insurance Internal Service Fund to account for and finance its uninsured risks of loss in this program. The plan provides medical/surgical coverage which is 100 percent paid of reasonable and customary charges. Major medical expense coverage includes a \$100 individual and \$200 family deductible followed by a 10 percent employee co-payment. A third party administrator, Self-Funded Plans, Inc., of Cleveland, Ohio reviews all claims which are then paid by OME-RESA Health Benefits.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 13 - RISK MANAGEMENT - (Continued)

The District purchases stop-loss coverage of \$50,000 per individual from Lexington Insurance Company through OME-RESA Health Benefits. The District also provides dental and vision coverage on this self-insured basis. The premiums are paid by the District at a rate of 100 percent for all employees. The premium is paid by the fund that paid the salary for the employee and is based on historical cost information.

Total required monthly premiums for coverage are as follows:

	<u>Family</u>	<u>Individual</u>
Medical/Surgical	\$ 485.50	\$ 209.60
Dental	\$ 41.30	\$ 41.30
Vision	\$ 15.52	\$ 5.72

The liability for unpaid claims of \$99,007 reported in the Internal Service Fund at June 30, 1999, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

<u>Fiscal Year</u>	<u>Beginning Of Fiscal Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-End</u>
1999	\$132,212	\$816,988	\$(850,193)	\$ 99,007
1998	\$130,020	\$490,907	\$(753,139)	\$132,212

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the part three fiscal years.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 14 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two Enterprise funds to account for the operations of food service and school supplies. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 1999.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating revenue	\$228,908	\$49,972	\$278,880
Operating expense before depreciation	374,508	45,698	420,206
Depreciation	13,083	0	13,083
Operating income (loss)	(158,683)	4,274	(154,409)
Operating grants	98,547	0	98,547
Federal donated commodities	23,315	0	23,315
Operating transfers in	35,596	1,186	36,782
Operating transfers out	0	(1,792)	(1,792)
Net income (loss)	(232)	3,152	2,920
Net working capital	(35,727)	37,791	2,064
Total assets	193,031	46,474	239,505
Total liabilities	144,023	8,683	152,706
Contributed capital	7,902	0	7,902
Total equity	49,008	37,791	86,799
Encumbrances			
Outstanding at June 30	10,314	6,235	16,549

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 1999; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the SERB within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$139,481, \$140,376, and \$130,650, respectively; 48.1 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$72,348 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

A. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the STRB. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the STRB upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$542,176, \$514,066, and \$502,608, respectively; 83.1 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$91,244 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

B. Social Security System

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

NOTE 16 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the STRS, and to retired non-certified employees and their dependents through the 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.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 16 - POSTEMPLOYMENT BENEFITS - (Continued)

The STRB has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$309,815 during fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.156 billion at June 30, 1998 (the latest information available). For the year ended June 30, 1998 (the latest information available), net health care costs paid by STRS were \$219.224 million and STRS had 91,999 statewide eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll. 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 was established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 (the latest information available), were \$111.9 million and the target level was \$139.9 million. At June 30, 1998 (the latest information available) SERS had net assets available for payment of health care benefits of \$160.3 million and SERS had approximately 50,000 statewide participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$75,092 during the 1999 fiscal year.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance is done on a GAAP basis, the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison (NonGAAP Budgetary Basis) - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

**Excess (Deficiency) of Revenues and Other Financing
Sources Over (Under) Expenditures and Other
Financing Uses**

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$ 37,162	\$(40,778)	\$ 31,006	\$(271,760)
Net adjustment for revenue accruals	(191,317)	(11,148)	(55,051)	(14,485)
Net adjustment for expenditure accruals	63,413	16,287	(30,526)	(24,002)
Net adjustment for other financing sources (uses)	<u>66,881</u>	(4,262)	0	0
Encumbrances (budget basis)	<u>293,940</u>	<u>10,503</u>	<u>0</u>	<u>171,244</u>
GAAP basis	<u>\$270,079</u>	<u>\$(29,398)</u>	<u>\$(54,571)</u>	<u>\$(139,003)</u>

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 18 - CONTINGENCIES

A. Grants

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

B. Litigation

This District is a party to legal proceedings. However, in the opinion of District management, the impact of these proceedings, if any, would not have a material effect on the financial statements.

C. State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$3,735,850 of school foundation support for its General Fund.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 18 - CONTINGENCIES - (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of these financial statements, 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 District is unable to determine that effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 19 - STATUTORY RESERVES

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 1998	\$ 0	\$ 0	\$43,280
Current year set-aside requirement	112,443	112,443	56,222
Current year offsets	(23,996)	(112,443)	0
Qualifying disbursements	<u>(86,075)</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 2,372</u>	<u>\$ 0</u>	<u>\$99,502</u>
Cash balance carried forward to FY 2000	<u>\$ 2,372</u>	<u>\$ 0</u>	<u>\$99,502</u>

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 19 - STATUTORY RESERVES - (Continued)

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

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

Amount restricted for budget stabilization	\$ 99,502
Amount restricted for textbooks	<u>2,372</u>
Total restricted assets	<u>\$101,874</u>

NOTE 20 - YEAR 2000 ISSUE

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

As of June 30, 1999, the District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, fixed assets accounting and educational statistics reporting.

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

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 20 - YEAR 2000 ISSUE - (Continued)

The Ohio Department of Education, Division of Information Management Services, State Software Development Team has addressed the status of the OECN State Software in regards to the compliance requirements for the Year 2000. Their assessment is as follows:

- The payroll processing software supported with the OECN State Software is compliant with the Year 2000 beginning with the September 1997 release of USPS V4.0.
- The accounting software supported with the OECN State Software is compliant with the Year 2000 beginning with the June 1998 release of USAS V6.1.
- The equipment inventory and vehicle inventory system software supported with the OECN State Software is compliant with the Year 2000 beginning with the March 1999 release of SAS V2.0.
- The education management information system software supported with the OECN State Software is compliant with the Year 2000 beginning with the September 1998 release of EMIS V1.7.

Stark and Tuscarawas Counties collect property taxes for distribution to the District. Stark and Tuscarawas Counties are responsible for remediating their respective tax collection systems.

The State of Ohio distributes a substantial sum of money to the District in the form of basic state aid "school foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

To the best of management's knowledge and belief, as of January 14, 2000, the District experienced no interruption of operations or services related to the Year 2000 issue.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Tuscarawas Valley Local School District
Tuscarawas County
2637 Tuscarawas Valley Road N.E.
Zoarville, Ohio 44656

To the Board of Education:

We have audited the general purpose financial statements of Tuscarawas Valley Local School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 14, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 14, 2000.

Internal Control Over Financial Reporting

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

Tuscarawas Valley Local School District
Tuscarawas County
Report of Independent Accountants on Compliance and on
Internal Control Required By *Government Auditing Standards*
Page 2

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 14, 2000.

This report is intended for the information and use of management and the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.



JIM PETRO
Auditor of State

January 14, 2000

SCHEDULE OF FINDINGS

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY
FOR THE YEAR ENDED JUNE 30, 1999**

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

None.



STATE OF OHIO
OFFICE OF THE AUDITOR

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TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

By: Susan Babbitt

Date: FEBRUARY 10, 2000