



**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Walnut Township Local School District
11850 Lancaster Street
Millersport, Ohio 43046

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

JIM PETRO
Auditor of State

January 25, 2000

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

	Governmental Fund Types				Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals 1999
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Agency	General Fixed Assets	General Long Term	(Memorandum Only)
Assets and Other Debits:									
Equity in Pooled Cash and Investments	\$839,926	\$52,365	\$552,799	\$18,986	\$35,062	\$8,989	\$0	\$0	\$1,508,127
Restricted Assets	48,652	0	0	0	0	0	0	0	48,652
Cash in Segregated Account	0	0	5,000	0	0	0	0	0	5,000
Taxes Receivables	2,124,064	0	487,928	0	0	0	0	0	2,611,992
Intergovernmental Receivables	33,643	3,111	0	0	0	0	0	0	36,754
Accounts Receivable	7,633	315	0	0	360	0	0	0	8,308
Inventory	887	0	0	0	189	0	0	0	1,076
Inventory for Resale	0	0	0	0	3,369	0	0	0	3,369
Prepaid Expenses	12,987	0	0	0	0	0	0	0	12,987
Property, Plant, and Equipment	0	0	0	0	101,905	0	14,135,873	0	14,237,778
Accumulated Depreciation, Where	0	0	0	0	(80,312)	0	0	0	(80,312)
Amount Available in Debt Service Fund	0	0	0	0	0	0	0	584,185	584,185
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	4,137,360	4,137,360
Total Assets and Other Debits	\$3,067,792	\$55,791	\$1,045,727	\$18,986	\$60,573	\$8,989	\$14,135,873	\$4,721,545	\$23,115,276

(Continued)

See Accompanying Notes to the General Purpose Financial Statements.

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999
(Continued)

	Governmental Fund Types			Proprietary	Fiduciary	Account Groups		Totals	
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Enterprise	Fund Type Agency	General Fixed	General Long Term	1999 (Memorandum Only)
Liabilities:									
Intergovernmental Payables	\$70,329	\$1,319	\$0	\$0	\$6,892	\$0	\$0	\$27,188	\$105,728
Accounts Payable	12,877	0	0	0	0	0	0	0	12,877
Matured Bonds Payable	0	0	5,000	0	0	0	0	0	5,000
Accrued Salaries and Benefits	326,317	8,806	0	0	12,980	0	0	0	348,103
Deferred Revenue	1,992,044	0	456,542	0	755	0	0	0	2,449,341
Leases Payable	0	0	0	0	0	0	0	0	0
Due to Others	0	0	0	0	0	8,989	0	0	8,989
General Obligation Bonds Payable	0	0	0	0	0	0	0	4,340,000	4,340,000
Compensated Absences Payable	25,395	0	0	0	4,622	0	0	354,357	384,374
Total Liabilities	2,426,962	10,125	461,542	0	25,249	8,989	0	4,721,545	7,654,412
Fund Equity and Other Credits:									
Investment in General Fixed Assets	0	0	0	0	0	0	14,135,873	0	14,135,873
Contributed Capital	0	0	0	0	31,652	0	0	0	31,652
Retained Earnings	0	0	0	0	3,672	0	0	0	3,672
Fund Balances:									
Reserved for Supply Inventory	887	0	0	0	0	0	0	0	887
Reserved for Encumbrances	4,162	1,695	0	0	0	0	0	0	5,857
Reserved for Budget Stabilization	48,652	0	0	0	0	0	0	0	48,652
Reserved for Future Appropriation	132,020	0	31,386	0	0	0	0	0	163,406
Unreserved Fund Balance	455,109	43,971	552,799	18,986	0	0	0	0	1,070,865
Total Fund Balances	640,830	45,666	584,185	18,986	0	0	0	0	1,289,667
Total Fund Balances/Retained Earnings and Other Credits	640,830	45,666	584,185	18,986	35,324	0	14,135,873	0	15,460,864
Total Liabilities, Fund Equity, and Other Credits	\$3,067,792	\$55,791	\$1,045,727	\$18,986	\$60,573	\$8,989	\$14,135,873	\$4,721,545	\$23,115,276

See Accompanying Notes to the General Purpose Financial Statements.

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

	Governmental Fund Types				Totals
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)
REVENUES:					
Revenue from Local Sources					
Taxes	\$1,963,7	\$0	\$482,233	\$0	\$2,446,015
Transportation Fees	176,675	0	0	0	176,675
Earnings on Investments	91,517	0	836	1,607	93,960
Extracurricular Activities	0	52,004	0	0	52,004
Classroom Materials & Fees	5,226	0	0	0	5,226
Miscellaneous	5,140	15,542	0	0	20,682
Revenue from State Sources					
Unrestricted Grants-in-Aid	1,474,49	25,000	62,836	0	1,562,333
Restricted Grants-in-Aid	10,711	29,909	0	81,028	121,648
Revenue for/on Behalf of District	2,650	0	0	0	2,650
Revenue from Federal Sources					
Restricted Grants-in-Aid	0	115,418	0	0	115,418
Total Revenue	3,730,19	237,873	545,905	82,635	4,596,611
EXPENDITURES:					
Instruction					
Regular Instruction	1,865,24	79,329	0	90,912	2,035,489
Special Instruction	296,981	78,772	0	0	375,753
Vocational Instruction	114	0	0	0	114
Supporting Services					
Supporting Services-Pupils	222,207	3,499	0	0	225,706
Supporting Services-Instructional Staff	59,882	0	0	0	59,882
Supporting Services-Board of Education	71,357	0	0	0	71,357
Supporting Services-Administration	311,455	12,209	0	0	323,664
Fiscal Services	121,114	3,217	9,157	0	133,488
Operation & Maintenance-Plant	407,793	0	0	0	407,793
Supporting Services-Pupil	268,583	0	0	0	268,583
Supporting Services-Central	7,096	2,383	0	0	9,479
Operation of Non-Instructional Services					
Community Services	3,339	468	0	0	3,807
Extracurricular Activities					
Academic & Subject Oriented	29,661	1,262	0	0	30,923
Sports Oriented	77,679	46,963	0	0	124,642
Co-Curricular Activities	0	7,145	0	0	7,145
Capital Outlay					
Architecture and Engineering	0	0	0	2,764	2,764
Site Improvement	0	0	0	79,541	79,541
Building Improvement	0	0	0	30,269	30,269
Debt Service					
Repayment of Debt	266	0	486,343	0	486,609
Total Expenditures	3,742,77	235,247	495,500	203,486	4,677,008
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,577)	2,626	50,405	(120,851)	(80,397)
Other Financing Sources and Uses:					
Sale & Loss of Assets	580	0	0	0	580
Transfers-In	57,410	0	0	0	57,410
Other Receipts	34,393	0	0	0	34,393
Transfer-Out	(57,410)	0	0	0	(57,410)
Net Other Financing Sources and Uses	34,973	0	0	0	34,973
Excess (Deficiency) of Revenue Receipts and Other Sources Over (Under) Expenditure Disbursement and Other Uses	22,396	2,626	50,405	(120,851)	(45,424)
Decrease in Inventory	(1,322)	0	0	0	(1,322)
Beginning Fund Balance	619,756	43,040	533,780	139,837	1,336,413
Ending Fund Balance	\$640,830	\$45,666	\$584,185	\$18,986	\$1,289,667

See Accompanying Notes to the General Purpose Financial Statements.

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

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance	Revised Budget	Actual	Variance
			Favorable (Unfavorable)			Favorable (Unfavorable)
Revenues:						
Taxes	\$1,932,955	\$1,932,955	\$0	\$0	\$0	\$0
Tuition	176,675	176,675	0	0	0	0
Earnings on Investment	92,699	92,699	0	0	0	0
Extracurricular Activities	0	0	0	59,214	52,258	(6,956)
Classroom Materials & Fees	5,015	5,051	36	0	0	0
Miscellaneous	5,985	5,140	(845)	16,900	15,542	(1,358)
State Revenue for/on Behalf of District	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	1,474,497	1,474,497	0	25,000	25,000	0
State Restricted Grants-in-Aid	10,711	10,711	0	29,909	29,909	0
Fed. Revenue for/on Behalf of District	2,750	2,750	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	112,307	112,307	0
Total Revenue	3,701,287	3,700,478	(809)	243,330	235,016	(8,314)
Expenditures:						
Regular Instruction	1,852,185	1,825,702	26,483	95,712	79,855	15,857
Special Instruction	310,582	305,391	5,191	93,353	82,890	10,463
Vocational Instruction	8,300	8,063	237	0	0	0
Support Services-Pupils	232,547	221,129	11,418	5,894	3,499	2,395
Support Services-Instructional Staff	61,239	59,531	1,708	0	0	0
Support Services-Board of Education	73,324	71,075	2,249	0	0	0
Support Services-Administration	314,227	308,512	5,715	19,186	12,209	6,977
Fiscal Services	146,054	141,737	4,317	3,219	3,217	2
Operation & Maintenance-Plant	437,748	404,805	32,943	0	0	0
Support Services-Transportation	275,347	269,283	6,064	0	0	0
Support Services-Central	8,000	7,111	889	2,383	2,383	0
Community Services	3,400	3,330	70	857	468	389
Academic & Subject Oriented	30,100	29,661	439	3,372	1,262	2,110
Sports Oriented	79,500	77,628	1,872	51,000	46,963	4,037
Co-Curricular Activities	0	0	0	9,500	8,840	660
Architecture and Engineering	0	0	0	0	0	0
Site Improvement	0	0	0	0	0	0
Building Improvement	0	0	0	0	0	0
Repayment of Debt	15,638	15,638	0	0	0	0
Total Expenditures	3,848,191	3,748,596	99,595	284,476	241,586	42,890
Excess of Revenue Over (Under) Expenditures	(146,904)	(48,118)	98,786	(41,146)	(6,570)	34,576
Other Financing Sources (Uses):						
Sale & Loss of Assets	1,500	477	(1,023)	0	0	0
Transfer-In	57,410	57,410	0	0	0	0
Advances-In	30,000	30,000	0	20,000	20,000	0
Refund of Prior Years Rec/Exp	10,310	10,310	0	0	0	0
Transfer-Out	(57,410)	(57,410)	0	0	0	0
Advances-Out	(30,000)	(30,000)	0	(20,000)	(20,000)	0
Other Miscellaneous Uses of Funds	(500)	(413)	87	0	0	0
Total Other Sources (Uses)	11,310	10,374	(936)	0	0	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(135,594)	(37,744)	97,850	(41,146)	(6,570)	34,576
Beginning Fund Balance	911,298	911,298	0	55,942	55,942	0
Prior Year Carry Over Encumbrances	753	753	0	1,300	1,300	0
Ending Fund Balance	\$776,457	\$874,307	\$97,850	\$16,096	\$50,672	\$34,576

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See Accompanying Notes to the General Purpose Financial Statements.

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

	Debt Service Fund			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$478,667	\$478,667	\$0	\$0	\$0	\$0
Tuition	0	0	0	0	0	0
Earnings on Investment	836	836	0	1,999	1,999	0
Extracurricular Activities	0	0	0	0	0	0
Classroom Materials & Fees	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
State Revenue for/on Behalf of District	15,000	15,000	0	0	0	0
State Unrestricted Grants-in-Aid	62,836	62,836	0	0	0	0
State Restricted Grants-in-Aid	0	0	0	81,028	81,028	0
Fed. Revenue for/on Behalf of District	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenue	557,339	557,339	0	83,027	83,027	0
Expenditures:						
Regular Instruction	0	0	0	109,898	90,912	18,986
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	0	0	0
Support Services-Instructional Staff	0	0	0	0	0	0
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	0	0	0
Fiscal Services	12,000	9,157	2,843	0	0	0
Operation & Maintenance-Plant	0	0	0	0	0	0
Support Services-Transportation	0	0	0	0	0	0
Support Services-Central	0	0	0	0	0	0
Community Services	0	0	0	0	0	0
Academic & Subject Oriented	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular Activities	0	0	0	0	0	0
Architecture and Engineering	0	0	0	3,749	3,749	0
Site Improvement	0	0	0	79,541	79,541	0
Building Improvement	0	0	0	30,269	30,269	0
Repayment of Debt	497,000	486,343	10,657	0	0	0
Total Expenditures	509,000	495,500	13,500	223,457	204,471	18,986
Excess of Revenue Over (Under) Expenditures	48,339	61,839	13,500	(140,430)	(121,444)	18,986
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	0	0	0
Transfer-In	0	0	0	0	0	0
Advances-In	0	0	0	0	0	0
Refund of Prior Years Rec/Exp	0	0	0	0	0	0
Transfer-Out	0	0	0	0	0	0
Advances-Out	0	0	0	0	0	0
Other Miscellaneous Uses of Funds	0	0	0	0	0	0
Total Other Sources (Uses)	0	0	0	0	0	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	48,339	61,839	13,500	(140,430)	(121,444)	18,986
Beginning Fund Balance	490,960	490,960	0	49,992	49,992	0
Prior Year Carry Over Encumbrances	0	0	0	90,438	90,438	0
Ending Fund Balance	\$539,299	\$552,799	\$13,500	\$0	\$18,986	\$18,986

(Continued)

See Accompanying Notes to the General Purpose Financial Statements.

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

	<u>Totals (Memorandum Only)</u>		
	Revised	Variance	
	Budget	Actual	Favorable (Unfavorable)
Revenues:			
Taxes	\$2,411,622	\$2,411,622	\$0
Tuition	176,675	176,675	0
Earnings on Investment	95,534	95,534	0
Extracurricular Activities	59,214	52,258	(6,956)
Classroom Materials & Fees	5,015	5,051	36
Miscellaneous	22,885	20,682	(2,203)
State Revenue for/on Behalf of District	15,000	15,000	0
State Unrestricted Grants-in-Aid	1,562,333	1,562,333	0
State Restricted Grants-in-Aid	121,648	121,648	0
Fed. Revenue for/on Behalf of District	2,750	2,750	0
Federal Restricted Grants-in-Aid	112,307	112,307	0
Total Revenue	<u>4,584,983</u>	<u>4,575,860</u>	<u>(9,123)</u>
Expenditures:			
Regular Instruction	2,057,795	1,996,469	61,326
Special Instruction	403,935	388,281	15,654
Vocational Instruction	8,300	8,063	237
Support Services-Pupils	238,441	224,628	13,813
Support Services-Instructional Staff	61,239	59,531	1,708
Support Services-Board of Education	73,324	71,075	2,249
Support Services-Administration	333,413	320,721	12,692
Fiscal Services	161,273	154,111	7,162
Operation & Maintenance-Plant	437,748	404,805	32,943
Support Services-Transportation	275,347	269,283	6,064
Support Services-Central	10,383	9,494	889
Community Services	4,257	3,798	459
Academic & Subject Oriented	33,472	30,923	2,549
Sports Oriented	130,500	124,591	5,909
Co-Curricular Activities	9,500	8,840	660
Architecture and Engineering	3,749	3,749	0
Site Improvement	79,541	79,541	0
Building Improvement	30,269	30,269	0
Repayment of Debt	512,638	501,981	10,657
Total Expenditures	<u>4,865,124</u>	<u>4,690,153</u>	<u>174,971</u>
Excess of Revenue Over (Under) Expenditures	(280,141)	(114,293)	165,848
Other Financing Sources (Uses):			
Sale & Loss of Assets	1,500	477	(1,023)
Transfer-In	57,410	57,410	0
Advances-In	50,000	50,000	0
Refund of Prior Years Rec/Exp	10,310	10,310	0
Transfer-Out	(57,410)	(57,410)	0
Advances-Out	(50,000)	(50,000)	0
Other Miscellaneous Uses of Funds	(500)	(413)	87
Total Other Sources (Uses)	<u>11,310</u>	<u>10,374</u>	<u>(936)</u>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(268,831)	(103,919)	164,912
Beginning Fund Balance	1,508,192	1,508,192	0
Prior Year Carry Over Encumbrances	92,491	92,491	0
Ending Fund Balance	<u>\$1,331,852</u>	<u>\$1,496,764</u>	<u>\$164,912</u>

See Accompanying Notes to the General Purpose Financial Statements.

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
 PROPRIETARY FUND TYPE
 YEAR ENDED JUNE 30, 1999**

	Enterprise Funds
Operating Revenues:	
Food Service	\$158,230
Extracurricular Activities	4,867
Classroom Materials & Fees	13,448
Total Operating Revenue	176,545
Operating Expenses:	
Personal Services - Salary	81,881
Employee Benefits	35,705
Purchased Services	2,863
Supplies and Materials	113,404
Depreciation	2,918
Total Operating Expenses	236,771
Operating Loss	(60,226)
Non-Operating Revenues:	
Earnings on Investment	551
Miscellaneous	267
State Unrestricted Grants-in-Aid	3,541
Federal Unrestricted Grants-in-Aid	46,105
Federal Restricted Grants-in-Aid	8,710
Total Non-Operating Revenue	59,174
Non-Operating Expenses:	
Loss on Disposal of Assets	17
Total Non-Operating Expenses	17
Net Loss	(1,069)
Beginning Retained Earnings	4,741
Retained Earnings at End of Year	\$3,672

See Accompanying Notes to the General Purpose Financial Statements.

**COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 YEAR ENDED JUNE 30, 1999**

	Enterprise Funds
Cash Flows from Operating Activities	
Operating Loss	(\$60,226)
Adjustments to Reconcile Operating (Loss) to Net Cash provided by Operating Activities:	
Depreciation	2,918
Net Increase (Decrease) in Assets:	
Accounts Receivable	101
Inventory	(356)
Net Increase (Decrease) in Liabilities:	
Intergovernmental Payable	(779)
Accrued Wages and Benefits	695
Deferred Revenue	(64)
Compensated Absences	175
Net Adjustments	2,690
Net Cash Used in Operating Activities	(57,536)
Cash Flows from Noncapital Financing Activities:	
Grants from State Sources	3,541
Grants from Federal Sources	54,815
Other Sources	818
Net Cash Provided by Non-capital Financing Sources	59,174
Net Increase in Cash & Cash Equivalents	1,638
Cash and Cash Equivalents at Beginning of Year	33,424
Cash and Cash Equivalents at End of Year	\$35,062
<u>Supplemental Information</u>	
Noncash Activities:	
Federal Commodities	\$8,710

See Accompanying Notes to the General Purpose Financial Statements.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Walnut Township Local School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

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 is a local District as defined by Section 3311.3 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 1998, was 728. The District employed three administrative and supervisory personnel, 51 certified employees and 31 non-certificated employees. The District is supervised by the Fairfield County Educational Service Center, a separate entity.

The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement 14, The Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the district is financially accountable. This report includes all activities considered by management to be part of the school by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that a reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Management believes the financial statements included in this report represent all of the funds of the District over which the District is financially accountable.

B. Fund Accounting

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

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.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental Fund Types:

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during the period.

General Fund

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

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Fund

This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds

These funds are used to account for financial resources to be used for the acquisition or construction of major capital assets or facilities (other than those financed by proprietary and trust funds).

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Proprietary Fund Type:

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

Enterprise Fund

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

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The following are the fiduciary fund types:

Expendable Trust Funds

These funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds. The District currently has no expendable trust funds.

Nonexpendable Trust Funds

These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The District currently has no nonexpendable trust funds.

Agency Funds

These funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups:

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not affect expendable available financial resources. The following are the account groups:

General Fixed Assets Account Group

This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary funds.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Account Groups: (Continued)

General Long-Term Debt Account Group

This account group is used to account for all of the District's long-term obligations other than those accounted for in the Proprietary Funds.

C. Measurement Focus/Basis of Accounting

The modified accrual basis of accounting is followed for Governmental Fund Types. The measurement focus is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. Under the basis of accounting:

- 1) Only current assets and current liabilities are generally included on their balance sheets.
- 2) Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
- 3) Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year end.
 - a) Revenue accrued at the end of the year may include book fines, fees, interest and tuition.
 - b) Property taxes measurable as of June 30, 1999 and delinquent property taxes, whose availability is indeterminate, and are intended to finance fiscal year 1999 operations, have been recorded as deferred revenues.
- 4) Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting" the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Agency fund assets and liabilities are recognized on the modified accrual basis of accounting.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget and Budgetary Accounting

All governmental and proprietary fund types are subject to annual expenditures budgets. The Board follows the procedures outlined below in establishing the expenditure budget data reported in the general purpose financial statements:

- 1) A Tax Budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at its regular board meeting in January.
- 2) The County Budget Commission certifies its actions to the District by March 1st. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. During the month of July, this certificate is amended to include any unencumbered balances from the preceding fiscal year.
- 3) An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts three month temporary appropriations at its regular board meeting in July. The Annual Appropriation Resolution is usually adopted at the October regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual building and/or departments may transfer funds within their budgets upon review and approval of the Treasurer, Superintendent, and the Board of Education. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the object level.
- 4) The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-- Budget and Actual--All Governmental Fund Types" in accordance with the budget basis of accounting.

The major differences between the budgetary basis of accounting and GAAP 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 encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c) Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis); and
- d) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget and Budgetary Accounting (Continued)

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

E. Cash and Investments

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. 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 Investments". During the fiscal year all investments were limited to STAR Ohio.

Investments are reported at cost except for investments in STAR Ohio which is reported at fair value. Fair value is based on quoted market prices.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 1998-99. 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 statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund, Debt Service, Capital Projects and Enterprise Fund during the fiscal year amounted to \$94,511.

F. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 1999. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available". "Available" means then due, or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 1999 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventories

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of the governmental fund type inventories are recorded as expenditures when purchased (purchase method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and general supplies, and are expended when used.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999 are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed. Some examples of prepaid items are: equipment maintenance agreements, vehicle insurance, liability insurance, and building and contents insurance.

I. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The average useful life of equipment and vehicles ranges from eight to twenty years. The District does not capitalize infrastructure.

The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life of the assets.

J. Intergovernmental Revenues

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Intergovernmental Revenues (Continued)

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

Entitlements:

General Fund

- State Foundation Program
- School Bus Funding
- Homestead & Rollback Funding

Special Revenue Funds

- Educational Management Information Systems
- Data Communication

Capital Projects

- School Net Plus

Non-Reimbursable Grants:

Special Revenue Funds

- Teacher Development Fund
- DPIA
- Textbook and Instructional Materials
- Title I
- Title VI
- Proficiency Goals 2000
- Vocational Education Fund
- Communication Data Support

Reimbursable Grants:

General Fund

- Driver Education Reimbursement
- Tutor Reimbursement

Proprietary Funds:

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 39% of the District's operating revenue during the 1999 fiscal year.

K. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds". Short-term interfund loans are classified as "interfund receivables/payables". At June 30, 1999, the District had no "Interfund Receivables/Payables".

L. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicated that they do not constitute expendable available financial resources and therefore are not available for appropriation. At June 30, 1999 the District had no long-term interfund loans.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Compensated Absences

The District accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments.

To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. All employees with fifteen or more years of service were included in the calculation of the long-term compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee. 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For governmental funds, the District records a liability for accumulated unused vacation and sick leave when earned. The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid.

The remainder is reported in the general long-term debt account group. In proprietary funds, compensated absences are expensed when earned with the amount reported as a fund liability.

N. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The 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. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. At June 30, 1999, the District had contributed capital in the amount of \$31,652.

O. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. 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 governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Interfund Transactions

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Q. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established.

R. Fund Balance Reserves

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 supplies inventory, encumbrances, budget stabilization and future appropriation. The reserve for future appropriation represents the amount of the property taxes available for advance and recognized as revenue. The District is prohibited by law from appropriating the advance, since it was not received, for the current fiscal year. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

S. Memorandum Only - Total Columns

Total columns on the general purposes financial statements 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 cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

T. Estimates

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. BUDGETARY BASIS OF ACCOUNTING

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types				
	General Fund	Special Revenue	Debt Service	Capital Project
GAAP Basis	(\$12,577)	\$2,626	\$50,405	(\$120,851)
Increase (Decrease):				
Due to Revenues:				
Net Adjustments to Revenue Accruals	(29,720)	(2,857)	11,434	392
Due to Expenditures:				
Net Adjustments to Expenditure Accruals	(5,821)	(6,339)	0	(985)
Due to Other Sources/Uses	10,374	0	0	0
Budget Basis	(\$37,744)	(\$6,570)	\$61,839	(\$121,444)

3. CASH AND INVESTMENTS

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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 money deposited with the institution.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

3. CASH AND INVESTMENTS (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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

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

Deposits: At year end, the carrying amount of the District's deposits was \$17,811 and the bank balance was \$59,452. Of the bank balance:

1. All was covered by federal depository insurance; and
2. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

3. CASH AND INVESTMENTS (Continued)

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. 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 or agent but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category Unclassified	Reported Amount	Fair Value
Star Ohio	<u>\$1,538,968</u>	<u>\$1,538,968</u>	<u>\$1,538,968</u>

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

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

	Cash and Cash Equivalents	Investments
GASB Statement No.9	\$1,561,779	\$0
Investments:		
STAR Ohio	(1,538,968)	1,538,968
Total	<u>22,811</u>	<u>1,538,968</u>
Cash with Fiscal Agent	(5,000)	0
Total Cash and Cash Equivalents	<u>\$17,811</u>	<u>\$1,538,968</u>

4. PROPERTY TAX

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Fairfield County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 1999, an update will be done in 1999. The next revaluation is scheduled for 2001. 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 usually due February 14, with the remainder payable June 20.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

4. PROPERTY TAX (Continued)

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers may pay annually or semi-annually, the first payment is due April 30, with the remainder payable by September 28.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Fairfield County Treasurer collects property tax on behalf of the District. The Fairfield County Auditor remits to the District the taxes collected. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

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

The full tax rate at the fiscal year ended June 30, 1999 for operations was \$42.70 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 1999 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$3,956,660
Real Property-Residential/Agricultural	70,162,480
Minerals	17,060
Personal Property-General	1,184,972
Personal Property-Public Utilities	<u>7,230,130</u>
Total Assessed Value	<u><u>\$82,551,302</u></u>

5. RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. 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 guarantee of Federal funds.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

5. RECEIVABLES (Continued)

A summary of the principal items of Intergovernmental Receivables follows:

General Fund:	
Drivers Education Subsidy	\$150
Speech Services	33,493
Special Revenue Fund:	
E Rate Grant	3,111
Total Intergovernmental Receivable	\$36,754

6. FIXED ASSETS

The following is a summary of the proprietary funds furniture and equipment at June 30, 1999:

Furniture and Equipment	\$101,905
Less Accumulated Depreciation	(80,312)
Net Fixed Assets	\$21,593

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 1999:

	General Fixed Assets June 30, 1998	Additions	Deletions	General Fixed Assets June 30, 1999
Land and Improvements	\$48,751	\$132,362	\$0	\$181,113
Buildings	8,087,747	3,346,028	0	11,433,775
Construction in Progress	3,243,708	0	3,243,708	0
Furniture and Equipment	1,790,551	319,176	43,224	2,066,503
Vehicles	424,372	57,410	27,300	454,482
Total General Fixed Assets	\$13,595,129	\$3,854,976	\$3,314,232	\$14,135,873

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

7. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 E. 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; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1998, the portion used to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$294,480, \$270,024, and \$257,832, respectively; 83.3 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$49,080 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

B. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1999, 9.02 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$73,416, \$73,872, and \$60,282, respectively; 45 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$44,599 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.

C. Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System /State Teachers Retirement System. As of June 30, 1999, no members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

8. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1998, the Board allocated employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1998, this allocation was increased to 3.5 percent. For the District, this amount equaled \$73,620 during fiscal 1999.

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

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and 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, an increase from 4.21 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million (the latest information available). SERS has approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$34,005 during the 1999 fiscal year.

9. COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only Administrative and support personnel who are under a full year contract (260 days) are eligible for vacation time. The Superintendent is granted twenty days of vacation per year.

The Treasurer is granted vacation according to the classified employees schedule with a maximum accumulation of twenty days.

Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

9. COMPENSATED ABSENCES (Continued)

The Classified personnel accumulate vacation based on the following schedule:

<u>Years Service</u>	<u>Vacation Days</u>
1-9	10 days
10-19	15 days
20 and beyond	20 days

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for classified employees is 220 days, for certified employees it is 220 days and 260 days for the Superintendent.

For classified employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement if the employee has been employed by the District for a minimum of ten consecutive years at the time of retirement. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to fifty two days.

10. RISK MANAGEMENT

General Risk

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. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers. General liability insurance is maintained in the amount of \$2,000,000 for each occurrence and \$5,000,000 in the aggregate. In addition, The District maintains a \$1,000,000 umbrella liability policy, a \$5,000 employee dishonesty bond policy, and a \$100,000 employee benefits liability policy.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$15,685,600. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reduction of coverage from the prior years.

Workers Compensation-Public Entity Risk Pool

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP'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 Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

10. RISK MANAGEMENT (Continued)

Workers Compensation-Public Entity Risk Pool (Continued)

The intent of the GRP is to achieve the benefit of a reduced premium for the School district by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

11. NOTES AND LONG-TERM DEBT

A summary of changes in long-term obligations for the year ended June 30, 1999, are as follows:

	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
Intergovernmental Payable	\$29,330	\$27,188	\$29,330	\$27,188
General Obligation Bonds Payable	4,530,000	0	190,000	4,340,000
Compensated Absences Payable	342,929	354,357	342,929	354,357
Total	<u>\$4,902,259</u>	<u>\$381,545</u>	<u>\$562,259</u>	<u>\$4,721,545</u>

The \$4,340,000 of outstanding general obligation bonds relate to two projects, the first project approved in 1985, for which bonds were issued for the purpose of an addition, improving and equipping the high school building and improving the site thereof. These bonds mature December 2007, and are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Revised Code and Section 133.09 thereof.

The issue has an outstanding balance of \$1,020,000 with an interest rate of 9.25%. The second bond issue outstanding relates to a project approved in 1995, for which bonds were issued for the purpose of renovating, repairing and improving school facilities and constructing a media/computer lab addition to the high school and improving the site thereof. These bonds mature in December 2020, and are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Revised Code and Section 133.09 thereof. The issue has an outstanding balance of \$3,320,000 with an interest rate of 5.77%.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

11. NOTES AND LONG-TERM DEBT (Continued)

The annual maturities of the general obligation bonds as of June 30, 1999, and related interest payments are as follows:

Fiscal Year	Principal	Interest	Payment
2000	\$195,000	\$282,680	\$477,680
2001	195,000	268,807	463,807
2002	200,000	254,737	454,737
2003	210,000	240,121	450,121
2004	215,000	224,948	439,948
2005 and thereafter	3,325,000	1,827,678	5,152,678
Totals	<u>\$4,340,000</u>	<u>\$3,098,971</u>	<u>\$7,438,971</u>

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .1% of the total assessed value of property. The District's unvoted debt limit is \$82,551. The voted debt limit at June 30, 1999 is \$7,429,617.

12. JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Council

MEC is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. The District does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provides computer services to the District.

Central Ohio Special Education Regional Resource Center

The Central Ohio Special Education Regional Resource Center (COSSERC) is a not-for-profit Council of Governments of various school districts in Central Ohio. The District participates in services that assist the District in complying with Mandates of Public Law 101-476 and Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the District. COSSERC is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for COSSERC.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

13. SEGMENTS OF ENTERPRISE ACTIVITIES

Key financial data for the District's Enterprise Funds for the year ended June 30, 1999, are as follows:

	Lunchroom Fund	Uniform School Supplies Fund	Community Service Fund	Total
Operating Revenues	\$158,230	\$13,448	\$4,867	\$176,545
Operating Expenses:				
Depreciation	(2,918)	0	0	(2,918)
Other Expenses	(218,391)	(12,792)	(2,670)	(233,853)
Total Operating Expenses	<u>(221,309)</u>	<u>(12,792)</u>	<u>(2,670)</u>	<u>(236,771)</u>
Operating Income (Loss)	(63,079)	656	2,197	(60,226)
Non Operating Revenues and Expenses:				
Operating Grants	58,356	0	0	58,356
Loss on Disposal of Assets	(17)	0	0	(17)
Miscellaneous	551	92	175	818
Net Income (Loss)	<u>(\$4,189)</u>	<u>\$748</u>	<u>\$2,372</u>	<u>(\$1,069)</u>
Net Working Capital	<u>\$1,251</u>	<u>\$9,086</u>	<u>\$3,393</u>	<u>\$13,730</u>
Total Assets	<u>\$48,094</u>	<u>\$9,086</u>	<u>\$3,393</u>	<u>\$60,573</u>
Total Fund Equity	<u>(\$8,807)</u>	<u>\$9,086</u>	<u>\$3,393</u>	<u>\$3,672</u>

14. CONTINGENCIES

A. Grants

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

B. Litigation

The District is not a party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 1999.

15. SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$1,224,575 of school foundation support for its general fund.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

15. SCHOOL FUNDING DECISION (Continued)

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

The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of this date, 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 what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

16. STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	Textbook Acquisition	Capital Acquisition	Budget Stabilization	Total
Set aside Cash Balance as of June 30, 1998	\$0	\$0	\$21,858	\$21,858
Current Year Set-Aside Requirement	53,378	53,378	26,794	133,550
Current Year Offsets	0	0	0	0
Qualifying Disbursements	(59,351)	(89,005)	0	(148,356)
Total	(5,973)	(35,627)	48,652	7,052
Cash Balance Carried Forward to FY 2000	<u>\$0</u>	<u>\$0</u>	<u>\$48,652</u>	
Amount Restricted for Budget Stabilization				<u>\$48,652</u>
Total Restricted Assets				<u>\$48,652</u>

The District early implemented the set-aside requirement for fiscal year 2000. No set-aside was required for the District for fiscal year 1998-99 due to revenue growth not exceeding 3% between fiscal 1997-98 and fiscal year 1996-97. No additional set-aside will be required for fiscal year 1999-2000.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

17. 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.

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, and educational statistics reporting (through the State's Education Management and Information System (EMIS)).

Property tax billing, collection and remittance for the District is handled by Fairfield County. The County is responsible for remediating this system, and is solely responsible for any associated costs.

The District utilizes third party administrator organizations to provide computer software and services (EDP processing). In addition, its banking institution provides financial transactions for the District. The District has obtained assurances from these organizations or institutions regarding remediation of these systems. These organizations or institutions are responsible for remediating these systems, and are solely responsible for the associated costs.

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

The District's heating systems are manual which are not subject to year 2000 issues.

To the best of management's knowledge and belief, as of January 25, 2000 the District experienced no interruption of operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the district does business may also experience year 2000 issues that are yet, unknown.

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

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

Board of Education
Walnut Township Local School District
11850 Lancaster Street
Millersport, Ohio 43046

We have audited the financial statements of the Walnut Township Local School District, Fairfield County, Ohio (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 24, 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*.

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. 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 25, 2000.

This report is intended for the information and use of management and 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 25, 2000



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OFFICE OF THE AUDITOR

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WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 15, 2000**