



**WESTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Western Local School District
Pike County
7959 State Route 124
P.O. Box 130
Latham, Ohio 45646

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Western Local School District, Pike County, Ohio (the School District) as of and for the year ended June 30, 1999. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these 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 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 Western Local School District, Pike County, 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.

As described in Note 3 to the general purpose financial statements, during the year ended June 30, 1999, the School District changed its method of accounting and financial reporting for its *Internal Revenue Code Section 457 Deferred Compensation Plans*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2000 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

JIM PETRO
Auditor of State

January 6, 2000

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

	GOVERNMENTAL FUND TYPES			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$4,283,878	\$94,838	\$76,205	\$416,399
Receivables:				
Taxes	566,041	17,387	114,384	0
Accounts	329	0	0	0
Intergovernmental	100	59,204	0	0
Prepaid Items	18,600	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	15,139	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	118,112	0	0	0
Fixed Assets (Net of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligations	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$5,002,199	\$171,429	\$190,589	\$416,399

<u>PRORIETARY FUND TYPES</u>		<u>FIDUCIARY FUND TYPE</u>	<u>ACCOUNT GROUPS</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$41,977	\$42,454	\$11,177	\$0	\$0	\$4,966,928
0	0	0	0	0	697,812
568	0	0	0	0	897
0	0	0	0	0	59,304
0	0	0	0	0	18,600
10,186	0	0	0	0	10,186
747	0	0	0	0	15,886
0	0	0	0	0	118,112
145,494	0	0	11,544,087	0	11,689,581
0	0	0	0	81,707	81,707
0	0	0	0	1,115,562	1,115,562
<u>\$198,972</u>	<u>\$42,454</u>	<u>\$11,177</u>	<u>\$11,544,087</u>	<u>\$1,197,269</u>	<u>\$18,774,575</u>

(continued)

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

	GOVERNMENTAL FUND TYPES			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$18,165	\$586	\$0	\$396
Contracts Payable	0	0	0	6,808
Accrued Wages and Benefits	327,172	56,709	0	0
Compensated Absences Payable	11,089	0	0	0
Intergovernmental Payable	74,079	9,515	0	0
Deferred Revenue	539,030	16,553	108,882	0
Undistributed Monies	0	0	0	0
Claims Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	969,535	83,363	108,882	7,204
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	1,618	0	0	0
Reserved for Inventory	15,139	0	0	0
Reserved for Property Taxes	27,011	834	5,502	0
Reserved for Budget Stabilization	55,308	0	0	0
Reserved for School Bus Purchases	62,804	0	0	0
Unreserved:				
Undesignated	3,870,784	87,232	76,205	409,195
Total Fund Equity and Other Credits	4,032,664	88,066	81,707	409,195
Total Liabilities, Fund Equity and Other Credits	\$5,002,199	\$171,429	\$190,589	\$416,399

The notes to the general purpose financial statements are an integral part of this statement.

<u>PRORIETARY FUND TYPES</u>		<u>FIDUCIARY FUND TYPE</u>	<u>ACCOUNT GROUPS</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$412	\$0	\$0	\$0	\$0	\$19,559
0	0	0	0	0	6,808
13,917	0	0	0	0	397,798
8,077	0	0	0	279,231	298,397
8,814	0	0	0	28,038	120,446
8,197	0	0	0	0	672,662
0	0	11,177	0	0	11,177
0	5,263	0	0	0	5,263
0	0	0	0	890,000	890,000
<u>39,417</u>	<u>5,263</u>	<u>11,177</u>	<u>0</u>	<u>1,197,269</u>	<u>2,422,110</u>
0	0	0	11,544,087	0	11,544,087
148,333	0	0	0	0	148,333
11,222	37,191	0	0	0	48,413
0	0	0	0	0	1,618
0	0	0	0	0	15,139
0	0	0	0	0	33,347
0	0	0	0	0	55,308
0	0	0	0	0	62,804
0	0	0	0	0	4,443,416
<u>159,555</u>	<u>37,191</u>	<u>0</u>	<u>11,544,087</u>	<u>0</u>	<u>16,352,465</u>
<u>\$198,972</u>	<u>\$42,454</u>	<u>\$11,177</u>	<u>\$11,544,087</u>	<u>\$1,197,269</u>	<u>\$18,774,575</u>

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

	GOVERNMENTAL FUND TYPES				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Property Taxes	\$422,761	\$10,590	\$74,919	\$0	\$508,270
Intergovernmental	4,910,105	712,961	10,118	503,621	6,136,805
Interest	234,488	0	0	5,202	239,690
Tuition and Fees	180	5,380	0	0	5,560
Rent	2,040	0	0	0	2,040
Extracurricular Activities	0	35,519	0	0	35,519
Gifts and Donations	270	676	0	0	946
Customer Services	7,785	0	0	0	7,785
Miscellaneous	1,344	2,638	0	150,609	154,591
Total Revenues	5,578,973	767,764	85,037	659,432	7,091,206
Expenditures:					
Current:					
Instruction:					
Regular	1,937,695	231,771	0	145,030	2,314,496
Special	319,870	336,528	0	0	656,398
Vocational	49,137	0	0	0	49,137
Other	2,411	0	0	0	2,411
Support Services:					
Pupils	200,546	26,365	0	214,516	441,427
Instructional Staff	200,750	51,409	0	1,363	253,522
Board of Education	8,609	0	0	0	8,609
Administration	606,831	11,740	386	0	618,957
Fiscal	144,745	371	2,710	0	147,826
Operation and Maintenance of Plant	432,979	15,418	0	395	448,792
Pupil Transportation	390,184	0	0	0	390,184
Central	61,726	0	0	0	61,726
Operation of Non-Instructional Services					
Extracurricular Activities	866	0	0	0	866
Capital Outlay	99,110	23,913	0	0	123,023
Debt Service:	71,181	0	0	498,729	569,910
Principal Retirement	0	0	15,000	0	15,000
Interest and Fiscal Charges	0	0	52,739	0	52,739
Intergovernmental	0	53,942	0	0	53,942
Total Expenditures	4,526,640	751,457	70,835	860,033	6,208,965
Excess of Revenues Over (Under) Expenditures	1,052,333	16,307	14,202	(200,601)	882,241
Other Financing Sources (Uses):					
Operating Transfers - In	146,985	36,395	0	0	183,380
Operating Transfers - Out	(181,356)	(2,024)	0	0	(183,380)
Total Other Financing Sources (Uses)	(34,371)	34,371	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,017,962	50,678	14,202	(200,601)	882,241
Fund Balances at Beginning of Year - Restated (Note 3)	3,015,199	37,956	67,505	609,796	3,730,456
Decrease in Reserve for Inventory	(497)	(568)	0	0	(1,065)
Fund Balances at End of Year	\$4,032,664	\$88,066	\$81,707	\$409,195	\$4,611,632

The notes to the general purpose financial statements are an integral part of this statement.

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

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$425,744	\$425,744	\$0	\$10,368	\$10,368	\$0
Intergovernmental	4,518,748	4,518,748	0	756,579	756,579	0
Interest	234,488	234,488	0	0	0	0
Tuition and Fees	340	340	0	5,380	5,380	0
Rent	2,040	2,040	0	0	0	0
Extracurricular Activities	0	0	0	35,207	35,207	0
Gifts and Donations	270	270	0	676	676	0
Customer Services	7,785	7,785	0	0	0	0
Miscellaneous	498	498	0	2,638	2,638	0
Total Revenues	5,189,913	5,189,913	0	810,848	810,848	0
Expenditures:						
Current:						
Instruction:						
Regular	1,957,041	1,957,041	0	267,031	267,031	0
Special	317,481	317,481	0	344,006	344,006	0
Vocational	49,134	49,134	0	0	0	0
Other	2,411	2,411	0	0	0	0
Support Services:						
Pupils	221,400	221,400	0	27,736	27,736	0
Instructional Staff	219,758	219,758	0	50,280	50,280	0
Board of Education	8,609	8,609	0	0	0	0
Administration	611,949	611,949	0	11,740	11,740	0
Fiscal	155,970	155,970	0	371	371	0
Operation and Maintenance of Plant	447,297	447,297	0	15,707	15,707	0
Pupil Transportation	395,286	395,286	0	0	0	0
Central	62,656	62,656	0	0	0	0
Operation of Non-Instructional Services	866	866	0	0	0	0
Extracurricular Activities	93,255	93,255	0	23,913	23,913	0
Capital Outlay	146,181	146,181	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	4,689,294	4,689,294	0	740,784	740,784	0
Excess of Revenues Over (Under) Expenditures	500,619	500,619	0	70,064	70,064	0
Other Financing Sources (Uses):						
Refund of Prior Year Expenditures	391,748	391,748	0	315	315	0
Other Financing Sources	655	655	0	0	0	0
Other Financing Uses	0	0	0	(53,942)	(53,942)	0
Advances - In	23,485	23,485	0	0	0	0
Advances - Out	(812)	(812)	0	(23,485)	(23,485)	0
Operating Transfers - In	146,985	146,985	0	36,395	36,395	0
Operating Transfers - Out	(182,856)	(182,856)	0	(2,024)	(2,024)	0
Total Other Financing Sources (Uses)	379,205	379,205	0	(42,741)	(42,741)	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	879,824	879,824	0	27,323	27,323	0
Fund Balances at Beginning of Year	2,913,203	2,913,203	0	34,148	34,148	0
Prior Year Encumbrances Appropriated	397,990	397,990	0	27,160	27,160	0
Fund Balances at End of Year	\$4,191,017	\$4,191,017	\$0	\$88,631	\$88,631	\$0

The notes to the general purpose financial statements are an integral part of this statement.

DEBT SERVICE FUND			CAPITAL PROJECTS FUNDS		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$75,687	\$75,687	\$0	\$0	\$0	\$0
10,118	10,118	0	503,621	503,621	0
0	0	0	5,202	5,202	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
85,805	85,805	0	508,823	508,823	0
0	0	0	146,994	146,994	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	214,516	214,516	0
0	0	0	1,363	1,363	0
0	0	0	0	0	0
386	386	0	15,855	15,855	0
2,710	2,710	0	0	0	0
0	0	0	395	395	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	507,388	507,388	0
15,000	15,000	0	0	0	0
52,739	52,739	0	0	0	0
70,835	70,835	0	886,511	886,511	0
14,970	14,970	0	(377,688)	(377,688)	0
0	0	0	16,464	16,464	0
0	0	0	150,000	150,000	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	166,464	166,464	0
14,970	14,970	0	(211,224)	(211,224)	0
61,235	61,235	0	620,569	620,569	0
0	0	0	0	0	0
\$76,205	\$76,205	\$0	\$409,345	\$409,345	\$0

TOTALS
(MEMORANDUM ONLY)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$511,799	\$511,799	\$0
5,789,066	5,789,066	0
239,690	239,690	0
5,720	5,720	0
2,040	2,040	0
35,207	35,207	0
946	946	0
7,785	7,785	0
3,136	3,136	0
<u>6,595,389</u>	<u>6,595,389</u>	<u>0</u>
2,371,066	2,371,066	0
661,487	661,487	0
49,134	49,134	0
2,411	2,411	0
463,652	463,652	0
271,401	271,401	0
8,609	8,609	0
639,930	639,930	0
159,051	159,051	0
463,399	463,399	0
395,286	395,286	0
62,656	62,656	0
866	866	0
117,168	117,168	0
653,569	653,569	0
15,000	15,000	0
52,739	52,739	0
<u>6,387,424</u>	<u>6,387,424</u>	<u>0</u>
<u>207,965</u>	<u>207,965</u>	<u>0</u>
408,527	408,527	0
150,655	150,655	0
(53,942)	(53,942)	0
23,485	23,485	0
(24,297)	(24,297)	0
183,380	183,380	0
(184,880)	(184,880)	0
<u>502,928</u>	<u>502,928</u>	<u>0</u>
710,893	710,893	0
3,629,155	3,629,155	0
<u>425,150</u>	<u>425,150</u>	<u>0</u>
<u>\$4,765,198</u>	<u>\$4,765,198</u>	<u>\$0</u>

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
Operating Revenues:			
Sales	\$76,229	\$0	\$76,229
Charges for Services	0	37,695	37,695
<i>Total Operating Revenues</i>	<u>76,229</u>	<u>37,695</u>	<u>113,924</u>
Operating Expenses:			
Salaries	130,979	0	130,979
Fringe Benefits	38,013	0	38,013
Purchased Services	3,393	3,942	7,335
Materials and Supplies	20,345	0	20,345
Cost of Sales	137,967	0	137,967
Depreciation	10,513	0	10,513
Claims	0	33,409	33,409
Other Operating Expenses	239	0	239
<i>Total Operating Expenses</i>	<u>341,449</u>	<u>37,351</u>	<u>378,800</u>
Operating Income (Loss)	<u>(265,220)</u>	<u>344</u>	<u>(264,876)</u>
Non-Operating Revenues:			
Federal Donated Commodities	31,832	0	31,832
Interest Income	1,132	0	1,132
Federal and State Subsidies	223,224	0	223,224
<i>Total Non-Operating Revenues</i>	<u>256,188</u>	<u>0</u>	<u>256,188</u>
Net Income (Loss)	(9,032)	344	(8,688)
Retained Earnings at Beginning of Year	<u>20,254</u>	<u>36,847</u>	<u>57,101</u>
Retained Earnings at End of Year	11,222	37,191	48,413
Contributed Capital at Beginning and End of Year	<u>148,333</u>	<u>0</u>	<u>148,333</u>
Total Fund Equity at End of Year	<u>\$159,555</u>	<u>\$37,191</u>	<u>\$196,746</u>

The notes to the general purpose financial statements are an integral part of this statement.

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**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	ENTERPRISE FUND			INTERNAL SERVICE FUND		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Sales	\$75,621	\$75,621	\$0	\$0	\$0	\$0
Charges for Services	0	0	0	37,628	37,628	0
Interest	1,132	1,132	0	0	0	0
Refund of Prior Year Expenses	608	608	0	67	67	0
Federal and State Subsidies	223,224	223,224	0	0	0	0
Total Revenues	300,585	300,585	0 *	37,695	37,695	0
Expenses:						
Salaries	130,889	130,889	0	0	0	0
Fringe Benefits	39,759	39,759	0	0	0	0
Purchased Services	3,976	3,976	0	41,198	41,198	0
Materials and Supplies	125,053	125,053	0	0	0	0
Capital Outlay	4,809	4,809	0	0	0	0
Other	239	239	0	0	0	0
Total Expenses	304,725	304,725	0	41,198	41,198	0
Excess of Revenues Under Expense	(4,140)	(4,140)	0	(3,503)	(3,503)	0
Fund Equity at Beginning of Year	39,883	39,883	0	45,957	45,957	0
Prior Year Encumbrances Appropriat	3,051	3,051	0	0	0	0
Fund Equity at End of Year	\$38,794	\$38,794	\$0	\$42,454	\$42,454	\$0

The notes to the general purpose financial statements are an intergral part of this statement.

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**STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$76,229	\$0	\$76,229
Cash Received from Quasi-External Transactions with Other Funds	0	37,628	37,628
Cash Received from Other Operating Revenues	0	67	67
Cash Payments to Suppliers for Goods and Services	(129,905)	(3,942)	(133,847)
Cash Payments to Employees for Services	(130,889)	0	(130,889)
Cash Payments for Employee Benefits	(39,759)	0	(39,759)
Cash Payments for Claims	0	(37,256)	(37,256)
Cash Payments for Other Operating Expenses	(239)	0	(239)
Net Cash Used for Operating Activities	(224,563)	(3,503)	(228,066)
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	223,224	0	223,224
Cash Flows from Capital and Related Financing Activities:			
Payments for Capital Acquisitions	(751)	0	(751)
Cash Flows from Investing Activities:			
Interest	1,132	0	1,132
Net Decrease in Cash and Cash Equivalents	(958)	(3,503)	(4,461)
Cash and Cash Equivalents at Beginning of Year	42,935	45,957	88,892
Cash and Cash Equivalents at End of Year	<u>\$41,977</u>	<u>\$42,454</u>	<u>\$84,431</u>
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:			
Operating Income (Loss)	(\$265,220)	\$344	(\$264,876)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:			
Depreciation	10,513	0	10,513
Donated Commodities Used During Year	31,832	0	31,832
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	1	0	1
Increase in Inventory Held for Resale	(303)	0	(303)
Decrease in Materials and Supplies Inventory	249	0	249
Increase in Accounts Payable	21	0	21
Decrease in Accrued Wages and Benefits	(1,410)	0	(1,410)
Increase in Compensated Absences Payable	1,570	0	1,570
Decrease in Intergovernmental Payable	(1,816)	0	(1,816)
Decrease in Claims Payable	0	(3,847)	(3,847)
Total Adjustments	40,657	(3,847)	36,810
Net Cash Used for Operating Activities	<u>(\$224,563)</u>	<u>(\$3,503)</u>	<u>(\$228,066)</u>

See accompanying notes to the general purpose financial statements

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1934 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 87 square miles. It is located in Pike County and includes Benton, Mifflin, Pebble, Perry, and Sunfish Townships. The School District is the 504th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 40 non-certificated employees and 61 certificated full-time teaching personnel and 5 administrative employees who provide services to 961 students and other community members.

Reporting Entity:

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

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

The following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

- < Village of Piketon
- < Parent Teacher Organization
- < Pike County Educational Service Center

The School District is associated with four organizations, three of which are defined as jointly governed organizations, and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association, Pike County Joint Vocational School, the Coalition of Rural and Appalachian Schools, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

The following are the School District's governmental fund types:

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

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

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

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

Proprietary Fund Types:

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fiduciary Fund Type:

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

Account Groups:

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

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

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

B. Measurement Focus and Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

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

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, tuition, grants, and student fees. The School District reports deferred revenues on its combined balance sheet.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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

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

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

C. Budgetary Process

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Because the activity of agency funds is not budgeted, transfers-in and transfers-out do not equal on a budgetary basis due to a transfer of \$1,500 to the Yearbook Agency Fund from the General Fund. Also, advances-in and advances-out do not equal on a budgetary basis by \$812 due to an advance from the General Fund to the Pep Club Fund.

Tax Budget:

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999. At year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, three supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions. Prior to year-end, the School District passed a supplemental appropriation that reflected actual expenditures for the fiscal year.

Encumbrances:

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

Lapsing of Appropriations:

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

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

During fiscal year 1999, the District's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio). 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.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$234,488, which includes \$31,155 assigned from other School District funds. The capital projects funds and enterprise funds also received interest revenue of \$5,202 and \$1,132, respectively.

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

E. Inventory

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

F. Prepaid Items

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

G. Fixed Assets and Depreciation

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fixed Assets and Depreciation (Continued)

Assets in the general fixed assets account group are depreciated using the straight-line method over an estimated useful life of 50 years for buildings, 5 years for land improvements, 20 years for building improvements, 6 to 15 years for furniture, equipment, and fixtures, 5 to 10 years for vehicles, and 50 years for infrastructure, consisting of a sewer plant and sewer lines. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of 15 years.

H. Intergovernmental Revenues

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

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

Entitlements

General Fund

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

Non-Reimbursable Grants

Special Revenue Funds

- Public School Preschool
- Title I
- Title VI
- Title VI-B
- Drug-Free Schools
- Education Management Information Systems
- Local Professional Development Block Grant
- Goals 2000
- Instructional Material Subsidy Grant
- Eisenhower Grant
- Venture Capital Grant
- Proto-Type / Passports Grant

Capital Projects Funds

- Technology Equity
- School Net
- School Net Plus

Reimbursable Grants

General Fund

- Driver Education

Special Revenue Fund

- E-Rate

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements received in governmental funds amounted to approximately 86.54 percent of governmental fund revenue during the 1999 fiscal year.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after 15 years of current service with the School District. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Interfund Transactions

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

Nonrecurring or non routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to reflect statutory restrictions on their use. By statute, money must be set aside to create a budget stabilization reserve, and may also include amounts for the purchase of textbooks and instructional materials, and for the construction or acquisition of capital improvements. The balance held by the School District for school bus purchases as required by the Ohio Revised Code has also been restricted. The reserve for budget stabilization consists of a refund received in fiscal year 1998 from the Bureau of Workers' Compensation, which State statute required to be included in this reserve. See Note 19 for the calculations of the year-end restricted asset balances and the corresponding fund balance reserves.

N. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, property taxes, budget stabilization, and school bus purchases. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

O. Estimates

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

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals - (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.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR YEAR RESTATEMENT

For 1999, the activity of the Management Information System Special Revenue Fund was combined with the activity of the General Fund. This reclassification resulted in the following restatement of beginning Fund Equity balances:

	<u>Amount at 6/30/98</u>	<u>Restated Amount</u>
General Fund	\$3,020,403	\$3,015,199
Special Revenue Funds	32,752	37,956

GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" provides accounting for deferred compensation plans. The School District participates in the Ohio Public Employees Deferred Compensation Program. During 1998, the Ohio Public Employees Deferred Compensation Program created a trust for the assets of the plan for which the School District has no fiduciary responsibility. Therefore, plan assets are no longer presented on the balance sheet.

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

NOTE 4 - ACCOUNTABILITY

At June 30, 1999, the Disadvantaged Pupil Impact Aid and Title VI-B Special Revenue Funds have deficit fund balances of \$20,024, and \$85, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental

Fund Types and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$1,017,962	\$50,678	\$14,202	(\$200,601)
Revenue Accruals	3,343	43,399	768	15,855
Expenditure Accruals	46,819	(37,062)	0	(19,424)
Advances	22,673	(23,485)	0	0
Encumbrances	(210,973)	(6,207)	0	(7,054)
Budget Basis	<u>\$879,824</u>	<u>\$27,323</u>	<u>\$14,970</u>	<u>(\$211,224)</u>

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

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Income (Loss) / Excess of Revenues Under Expenses All Proprietary Fund Types	Enterprise	Internal Service
GAAP Basis	(\$9,032)	\$344
Expense Accruals	(3,189)	(3,847)
Capital Outlay	751	0
Depreciation Expense	10,513	0
Encumbrances	(3,183)	0
Budget Basis	<u>(\$4,140)</u>	<u>(\$3,503)</u>

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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;

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

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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) 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);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests 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 School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$175,595 and the bank balance was \$247,041. Of the bank balance:

1. \$100,000 was covered by federal deposit insurance and would belong in risk category 1; and
2. \$147,041 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions and would belong to risk category 3.

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

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

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

The School District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Fair Value
STAR Ohio	\$4,909,445

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in *GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."* A reconciliation between the classifications of cash and 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/Deposits	Investments
<i>GASB Statement No. 9</i>	\$5,085,040	\$0
Investment:		
STAR Ohio	(4,909,445)	4,909,445
<i>GASB Statement No. 3</i>	\$175,595	\$4,909,445

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 1999 real property taxes are collected in and intended to finance fiscal year 2000.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999 and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

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

NOTE 7 - PROPERTY TAXES (Continued)

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$16,832,830	79.49%	\$19,908,360	81.15%
Public Utility	3,227,490	15.24%	3,360,710	13.70%
Tangible Personal Property	1,116,360	5.27%	1,264,590	5.15%
Total Assessed Value	\$21,176,680	100.00%	\$24,533,660	100.00%
Tax rate per \$1,000 of assessed valuation	\$33.15		\$33.15	

Manufactured Home Tax, commonly referred to as House Trailer Tax, is based on the purchase price obtained from the title: (1) ninety-five percent unfurnished or (2) eighty percent furnished with a five percent drop each year.

NOTE 8 - RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

The principal items of intergovernmental receivables were \$100 in the General Fund for driver education reimbursement, \$111 of miscellaneous reimbursements from other school districts in the Athletics Special Revenue Fund, and \$59,093 for reimbursement in the Title I Special Revenue Fund.

NOTE 9 - FIXED ASSETS

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

Furniture and Equipment	\$266,022
Less Accumulated Depreciation	(120,528)
Net Fixed Assets	\$145,494

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

NOTE 9 - FIXED ASSETS (Continued)

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

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$1,148,272	\$9,750	\$0	\$1,158,022
Buildings and Improvements	10,526,782	345,326	0	10,872,108
Furniture, Fixtures and Equipment	2,036,014	312,754	59,365	2,289,403
Vehicles	774,641	51,500	0	826,141
Books	465,568	0	0	465,568
Infrastructure	102,376	0	0	102,376
Totals	<u>\$15,053,653</u>	<u>\$719,330</u>	<u>\$59,365</u>	15,713,618
Less Accumulated Depreciation				(4,169,531)
Total General Fixed Assets				<u>\$11,544,087</u>

NOTE 10 - RISK MANAGEMENT

The School 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 fiscal year 1999, the School District contracted with Nationwide Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Lorbach Insurance Agency provides public official bonds. Coverages provided at June 30, 1999 are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$21,337,000
Inland Marine Coverage (\$100 deductible)	24,532
Boiler and Machinery (\$1,000 deductible)	9,502,100
Automobile Liability (\$100 deductible)	1,000,000
Uninsured Motorists (\$250 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	5,000,000
Public Official Bonds	
Treasurer	20,000
Superintendent/Board President (each)	3,000
Blanket (all others)	5,000

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

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

NOTE 10 - RISK MANAGEMENT (Continued)

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). 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 & Co. provides administrative, cost control and actuarial services to the GRP.

Dental insurance is offered to employees through a self-insurance internal service fund. Coresource is the School District's third party administrator who informs the District of claim payments needed each week. Klais and Company provides an actuarial study each year and advises the District as to any change needed in premium payments to the internal service fund.

The claims liability of \$5,263 reported in the internal service fund at June 30, 1999 is based on an estimate provided by Coresource and the requirements of *GASB Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues"*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
1998	\$2,683	\$42,866	\$36,439	\$9,110
1999	9,110	33,409	37,256	5,263

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$56,948, \$73,523 and \$73,844, respectively; 49.4 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$27,238 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$257,428, \$227,123 and \$264,053, respectively; 80.74 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$43,764 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$85,809 for fiscal year 1999.

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

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

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$41,372.

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 the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 225 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 35 days.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Metropolitan Life Insurance Company. The School District has elected to provide employee medical/surgical benefits, vision and prescription drug benefits through United Health Care of Ohio. The employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

C. Deferred Compensation

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

For fiscal year 1999, the School District implemented *GASB Statement No. 32, "Deferred Compensation Plans"*. This statement eliminates the requirement that the School District report plan assets in an agency fund if the plan has established a trust fund whose assets are not held by the School District in a fiduciary capacity. The Ohio Public Employees Deferred Compensation Plan has established a trust fund and the amounts are no longer reported on the School District's balance sheet as of June 30, 1999.

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

NOTE 14 - LONG-TERM OBLIGATIONS

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

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
1995 School Improvement Bonds - 4.05% to 6.35%	\$905,000	\$0	\$15,000	\$890,000
Pension Obligation	37,501	28,038	37,501	28,038
Compensated Absences	214,950	64,281	0	279,231
Total General Long-Term Obligations	<u>\$1,157,451</u>	<u>\$92,319</u>	<u>\$52,501</u>	<u>\$1,197,269</u>

The 1995 School Improvement bonds were issued in the amount of \$920,000 in November, 1995 as a result of the School District being approved for a \$6,847,433 school facilities loan through the State Department of Education for the construction of a junior/senior high school building. The School District issued the general obligation bonds to provide a partial cash match for the school facilities loans. As a requirement of the loans, the School District was required to pass a 4.15 mill levy.

The 4.15 mill levy, of which .5 mill was to be used for the retirement of the loan, with the balance of 3.65 mills to be used for the retirement of the 1995 bond issue, will be in effect for twenty-three years.

On October 7, 1997, Western Local School District was notified by the Ohio School Facilities Commission that they would not be responsible for repaying the remainder of the \$6,847,433 classroom facilities loan to the State because the School District's adjusted valuation per pupil (currently 610 out of 611 schools) was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set aside the funds that would have been used for repayment for facilities maintenance. As part of this process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the School District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three year period, the School District may become responsible for repayment of a portion of the State's contribution.

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District's voted legal debt margin was \$1,399,736 with an unvoted debt margin of \$24,534 at June 30, 1999.

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

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire general obligation debt at June 30, 1999, are as follows:

Fiscal year Ending June 30	Principal	Interest	Total
2000	\$15,000	\$52,090	\$67,090
2001	15,000	51,423	66,423
2002	20,000	50,620	70,620
2003	20,000	49,680	69,680
2004	25,000	48,599	73,599
2005-2009	175,000	218,681	393,681
2010-2014	280,000	155,430	435,430
2015-2018	340,000	45,403	385,403
Total	<u>\$890,000</u>	<u>\$671,926</u>	<u>\$1,561,926</u>

NOTE 15 - CONTRACTUAL COMMITMENTS

As of June 30, 1999, the School District had contractual purchase commitments for the completion of construction of a bus garage as follows:

Contractor	Contract Amount	Amount Expended	Balance at 6/30/99
Mechanical Construction Co.	\$32,734	\$28,240	\$4,494
Vetter Construction	207,618	205,304	2,314
Total	<u>\$240,352</u>	<u>\$233,544</u>	<u>\$6,808</u>

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the eight participating counties, two representatives of the school treasurers plus the fiscal agent. The School District paid SCOCA \$3,896 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

The Pike County Joint Vocational School - The Pike County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of the Pike County Board of Education and two representatives from the Waverly City Schools Board of Education, which possesses its own budgeting and taxing authority. To obtain financial information write to the Pike County Joint Vocational School, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

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

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Coalition of Rural and Appalachian Schools - The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Council. The School District paid \$300 to the Coalition for services provided during the year.

NOTE 17 - GROUP PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (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 OSBA. 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.

NOTE 18 - SCHOOL FUNDING COURT DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$4,444,544 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 1999, the School District had received a total of \$6,847,433 under this program.

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

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

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

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside an amount based on prior year revenues for the purchase of textbooks and other instructional materials and an additional amount for capital improvements. Amounts not spent by year-end or offset by similarly restricted resources must be held in cash at year-end and carried forward to be used for the same purposes in future years. Amounts are also to be set aside if the School District's base amount used for the yearly set-aside calculation increases three percent or more from the prior year. This amount is to be included in the budget stabilization reserve. The School District also receives monies designated for school bus purchases. This amount is shown as a reserve for bus purchases.

The following information describes any changes in the amounts set-aside for textbooks and instructional materials, capital improvements, budget stabilization, and school bus purchases from the end of the prior year to the end of the current year.

A. TEXTBOOKS AND INSTRUCTIONAL MATERIALS

Set-aside balance carried forward from the prior year		\$0
Current year set-aside requirement	\$57,985	
Qualifying expenditures made during the year	(57,985)	
Amount of offsets for the year	0	
Total		0
Balance of set-aside to be carried forward to next year		\$0

B. CAPITAL IMPROVEMENTS

Set-aside balance carried forward from the prior year		\$0
Current year set-aside requirement	\$57,985	
Qualifying expenditures made during the year	(57,985)	
Amount of offsets for the year	0	
Total		0
Balance of set-aside to be carried forward to next year		\$0

C. BUDGET STABILIZATION

Set-aside balance carried forward from the prior year (Workers' Compensation refund)		\$26,316
Current year set-aside requirement	\$28,992	
Workers' Compensation refund received during the year	0	
Total		28,992
Balance of set-aside to be carried forward to next year		\$55,308

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

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)

D. SCHOOL BUS PURCHASES

Balance carried forward from the prior year		\$65,465
Current year amount received	\$48,839	
Qualifying expenditures made during the year	(51,500)	
Total		(2,661)
Balance to be carried forward to next year		\$62,804

NOTE 20 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 21 - YEAR 2000 COMPLIANCE

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

The School District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and the State of Ohio Uniform School Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems and any associated costs.

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

Pike County distributes a substantial sum of money to the School District in the form of taxes. The County is responsible for remediating these systems and any associated costs.

The Western Local School District has contracted with Navix Information Engineering of Wheelersburg, Ohio, in the amount of \$2,600, to determine if the companies that the School District deals with are Y2K compliant. To date, letters have been sent to all vendors who were determined to be mission critical. We have received replies from most of the companies and reminders were sent to the others. Mavix has not yet released the result of their evaluation.

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

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

Agency/Program/Grant	Pass Through Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. Department of Agriculture</u> Passed Through State Department of Education:						
Child Nutrition Cluster: Food Distribution		10.550	\$ -	\$30,794	\$ -	\$31,801
School Breakfast Program	05-PU-00	10.553	56,167	-	56,167	-
National School Lunch Program	03-PU-00	10.555	<u>151,967</u>	-	<u>151,967</u>	-
Total U.S. Department of Agriculture Child Nutrition Cluster			208,134	30,794	208,134	31,801
 <u>U.S. Department of Education</u> Passed through State Department of Education:						
Title I Grants to Local Educational Agencies	C1-S1-99	84.010	347,410	-	319,844	-
Special Education Cluster: Special Education - State Grants	6B-SF-98P 6B-SF-99	84.027 84.027	23,485 <u>56,560</u>	-	38,389 <u>54,711</u>	-
Total Special Education Cluster			80,045	-	93,100	-
Safe and Drug Free Schools and Communities Grant	DR-S1-99	84.186	12,196	-	10,702	-
Eisenhower Professional Development - State Grant	MS-S1-99	84.281	7,814	-	5,330	-
Innovative Education Program Strategy	C2-S1-99	84.298	3,455	-	2,985	-
Goals 2000 Subsidy	G2-S1 97	84.276	(238)	-	-	-
Telecom (E-rate)	N/A	84.xxx	<u>7,263</u>	-	-	-
Total U.S. Department of Education			<u>457,945</u>	-	<u>431,961</u>	-
 <u>U.S. Department of Labor</u> Passed Through State Department of Education:						
School-to-Work	WK-BE-98	17.249	<u>5,000</u>	-	<u>1,021</u>	-
Total U.S. Department of Labor			<u>5,000</u>	-	<u>1,021</u>	-
Total Federal Awards Receipts and Expenditures			<u>\$671,079</u>	<u>\$30,794</u>	<u>\$641,116</u>	<u>\$31,801</u>

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

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B -- FOOD DISTRIBUTION

Non-monetary assistance , such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the School District had no significant food commodities in inventory.

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

Western Local School District
Pike County
7959 State Route 124
P.O. Box 130
Latham, Ohio 45646

To the Board of Education:

We have audited the general purpose financial statements of the Western Local School District, Pike county, Ohio (the School District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 6, 2000, wherein we noted that the School District changed its method of accounting for deferred compensation. 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 Western Local School 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 the management of the School District in a separate letter dated January 6, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Western Local School 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 weaknesses 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 School District in a separate letter dated January 6, 2000.

Western Local School District
Pike County
Report of Independent Accountants on Compliance and On
Internal Control Required by *Government Auditing Standards*
Page 2

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

JIM PETRO
Auditor of State

January 6, 2000



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

Western Local School District
Pike County
7959 State Route 124
P.O. Box 130
Latham, Ohio 45646

To the Board of Education:

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

JIM PETRO
Auditor of State

January 6, 2000

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

FOR THE FISCAL YEAR ENDED JUNE 30, 1999

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

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

The audit of the Western Local School District, Pike County, for the year ending June 30, 1999, contained no findings or questioned costs for federal awards.

3. FINDINGS FOR FEDERAL AWARDS

The audit of the Western Local School District, Pike County, for the year ending June 30, 1999, contained no findings for federal awards.



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WESTERN LOCAL SCHOOL DISTRICT

PIKE 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 29, 2000**