



**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**REGULAR AUDIT**

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



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

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**STATE OF OHIO**



**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Table of Contents**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Balance Sheet – All Fund Types and Account Groups .....	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types .....	6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual – All Governmental Fund Types .....	7
Statement of Revenues, Expenses and Changes in Fund Equity – Enterprise Funds .....	11
Statement of Revenues, Expenses, and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual – Enterprise Funds .....	12
Statement of Cash Flows - Enterprise Funds .....	13
Notes to the General-Purpose Financial Statements .....	15
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	37
Schedule of Prior Audit Findings .....	39

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## REPORT OF INDEPENDENT ACCOUNTANTS

Arlington Local School District  
Hancock County  
336 South Main Street  
P.O. Box 260  
Arlington, Ohio 45814-0260

To the Board of Education:

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

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Arlington Local School District, Hancock County, as of June 30, 1999, and the results of its operations and the cash flows of its enterprise funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

**Jim Petro**  
Auditor of State

December 20, 2000

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**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 1999**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,528,164	\$102,018	\$79,199	\$23,438
Cash and Cash Equivalents with Fiscal Agents		5,419	2,284	
Receivables:				
Property Taxes	1,242,074		202,996	
Income Taxes	227,171			
Accounts	1,106			
Intergovernmental	312			
Prepaid Items	31,611	1,284		
Inventory Held for Resale				
Materials and Supplies Inventory	27,084			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	67,066			
Fixed Assets (net, where applicable, of accumulated depreciation)				
<b>Other Debits:</b>				
Amount Available in Debt Service Fund for Retirement of General Obligation Debt				
Amount to be Provided from General Governmental Resources				
<b>Total Assets and Other Debits</b>	<b><u>\$3,124,588</u></b>	<b><u>\$108,721</u></b>	<b><u>\$284,479</u></b>	<b><u>\$23,438</u></b>
<b>LIABILITIES, FUND EQUITY, AND OTHER CREDITS:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$5,184	\$2,054		\$475
Accrued Wages and Benefits	297,171	928		
Compensated Absences Payable	3,695			
Intergovernmental Payable	102,225	3,956		
Deferred Revenue	1,154,348		\$184,722	
Due to Students				
Matured Interest Payable			2,284	
General Obligation Bonds Payable				
Total Liabilities	<u>1,562,623</u>	<u>6,938</u>	<u>187,006</u>	<u>475</u>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved (Deficit)				
Fund Balance:				
Reserved for Property Taxes	87,726		18,274	
Reserved for Inventory	27,084			
Reserved for Textbooks	6,518			
Reserved for Capital Improvements	15,705			
Reserved for Budget Stabilization	44,843			
Reserved for Encumbrances	87,681	34,521		3,539
Unreserved	1,292,408	67,262	79,199	19,424
Total Fund Equity and Other Credits	<u>1,561,965</u>	<u>101,783</u>	<u>97,473</u>	<u>22,963</u>
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b><u>\$3,124,588</u></b>	<b><u>\$108,721</u></b>	<b><u>\$284,479</u></b>	<b><u>\$23,438</u></b>

See accompanying notes to the general purpose financial statements



Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$24,989	\$17,539			\$1,775,347 7,703
				1,445,070
67				227,171
				1,173
2,372				312
8,255				35,267
813				8,255
				27,897
				67,066
6,927		\$6,047,747		6,054,674
			\$97,473	97,473
			1,708,238	1,708,238
<b>\$43,423</b>	<b>\$17,539</b>	<b>\$6,047,747</b>	<b>\$1,805,711</b>	<b>\$11,455,646</b>
\$85				\$7,798
13,066				311,165
8,980			\$288,365	301,040
12,310			32,346	150,837
6,075				1,345,145
	\$17,539			17,539
				2,284
			1,485,000	1,485,000
40,516	17,539		1,805,711	3,620,808
		\$6,047,747		6,047,747
11,720				11,720
(8,813)				(8,813)
				106,000
				27,084
				6,518
				15,705
				44,843
				125,741
				1,458,293
2,907		6,047,747		7,834,838
<b>\$43,423</b>	<b>\$17,539</b>	<b>\$6,047,747</b>	<b>\$1,805,711</b>	<b>\$11,455,646</b>

**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 1999**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Revenues:</b>					
Property Taxes	\$1,234,170		\$226,802		\$1,460,972
Income Taxes	661,410				661,410
Intergovernmental	2,231,550	\$93,388	25,942	\$427,362	2,778,242
Interest	92,922	4,501			97,423
Tuition and Fees	36,108				36,108
Extracurricular Activities	3,966	96,653			100,619
Gifts and Donations		10,870			10,870
Miscellaneous	8,752				8,752
<b>Total Revenues</b>	<u>4,268,878</u>	<u>205,412</u>	<u>252,744</u>	<u>427,362</u>	<u>5,154,396</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	1,686,187	63,545		21,452	1,771,184
Special	321,894	34,047			355,941
Vocational	209,604				209,604
Adult/Continuing	431				431
Support Services:					
Pupils	60,382	13,822			74,204
Instructional Staff	182,049	12,969			195,018
Board of Education	31,119				31,119
Administration	325,514	2,635			328,149
Fiscal	144,414		3,983		148,397
Operation and Maintenance of Plant	382,362				382,362
Pupil Transportation	215,748				215,748
Central	891				891
Non-Instructional Services					
Extracurricular Activities	116,062	39			180,222
Capital Outlay	16,258			408,017	424,275
Debt Service:					
Principal Retirement			125,000		125,000
Interest and Fiscal Charges			108,902		108,902
<b>Total Expenditures</b>	<u>3,692,915</u>	<u>191,217</u>	<u>237,885</u>	<u>429,469</u>	<u>4,551,486</u>
Excess of Revenues Over (Under) Expenditures	575,963	14,195	14,859	(2,107)	602,910
<b>Other Financing Sources:</b>					
Proceeds from Sale of Fixed Assets	1,219				1,219
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	577,182	14,195	14,859	(2,107)	604,129
Fund Balances at Beginning of Year	985,554	87,588	82,614	25,070	1,180,826
Decrease in Reserve for Inventory	(771)				(771)
<b>Fund Balances at End of Year</b>	<u><u>\$1,561,965</u></u>	<u><u>\$101,783</u></u>	<u><u>\$97,473</u></u>	<u><u>\$22,963</u></u>	<u><u>\$1,784,184</u></u>

*See accompanying notes to the general purpose financial statements*

**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Budget (Non-GAAP Basis) and Actual  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 1999**

	<b>General Fund</b>		<b>Variance Favorable (Unfavorable)</b>
	<b>Revised Budget</b>	<b>Actual</b>	
<b>Revenues:</b>			
Property Taxes	\$1,177,682	\$1,183,686	\$6,004
Income Taxes	637,290	641,565	4,275
Intergovernmental	2,007,956	2,231,550	223,594
Interest	77,405	92,441	15,036
Tuition and Fees	45,003	36,069	(8,934)
Extracurricular Activities	5,300	3,966	(1,334)
Gifts and Donations	600		(600)
Miscellaneous	1,050	1,299	249
Total Revenues	3,952,286	4,190,576	238,290
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	1,731,154	1,696,540	34,614
Special	348,187	314,696	33,491
Vocational	219,625	209,765	9,860
Adult/Continuing	445	431	14
Other	2,500		2,500
Support Services:			
Pupils	64,029	60,028	4,001
Instructional Staff	202,220	183,108	19,112
Board of Education	47,884	27,827	20,057
Administration	361,876	331,280	30,596
Fiscal	158,906	144,845	14,061
Operation and Maintenance of Plant	567,267	415,621	151,646
Pupil Transportation	282,629	231,856	50,773
Central	1,025	926	99
Extracurricular Activities	134,054	117,328	16,726
Capital Outlay	26,752	16,499	10,253
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	4,148,553	3,750,750	397,803
Excess of Revenues Over (Under) Expenditures	(196,267)	439,826	636,093
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Fixed Assets	300	1,219	919
Refund of Prior Year Expenditures	7,000	7,185	185
Other Financing Sources	200	191	(9)
Advances Out	(36,000)		36,000
Total Other Financing Sources (Uses)	(28,500)	8,595	37,095
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(224,767)	448,421	673,188
Fund Balances at Beginning of Year	967,080	967,080	
Prior Year Encumbrances Appropriated	88,730	88,730	
<b>Fund Balances at End of Year</b>	<b>\$831,043</b>	<b>\$1,504,231</b>	<b>\$673,188</b>

(Continued)

**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Budget (Non-GAAP Basis) and Actual  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

	<b>Special Revenue Funds</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Property Taxes			
Income Taxes			
Intergovernmental	\$60,823	\$60,073	(\$750)
Interest	2,900	4,501	1,601
Tuition and Fees			
Extracurricular Activities	103,395	96,279	(7,116)
Gifts and Donations	8,700	10,870	2,170
Miscellaneous			
Total Revenues	175,818	171,723	(4,095)
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	69,244	61,302	7,942
Special	36,367	31,002	5,365
Vocational			
Adult/Continuing			
Other			
Support Services:			
Pupils	400	400	
Instructional Staff	15,278	6,869	8,409
Board of Education			
Administration	5,000	5,000	
Fiscal			
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Extracurricular Activities	93,601	87,119	6,482
Capital Outlay			
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	219,890	191,692	28,198
Excess of Revenues Over (Under) Expenditures	(44,072)	(19,969)	24,103
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures	200	760	560
Other Financing Sources		39	39
Advances Out			
Total Other Financing Sources (Uses)	200	799	599
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(43,872)	(19,170)	24,702
Fund Balances at Beginning of Year	68,565	68,565	
Prior Year Encumbrances Appropriated	17,635	17,635	
<b>Fund Balances at End of Year</b>	<b>\$42,328</b>	<b>\$67,030</b>	<b>\$24,702</b>

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$215,381	\$216,286	\$905			
25,000	25,942	942	\$429,808	\$427,362	(\$2,446)
<u>240,381</u>	<u>242,228</u>	<u>1,847</u>	<u>429,808</u>	<u>427,362</u>	<u>(2,446)</u>
			112,797	90,927	21,870
4,600	3,983	617			
			405,036	405,036	
125,000	125,000				
108,902	108,902				
<u>238,502</u>	<u>237,885</u>	<u>617</u>	<u>517,833</u>	<u>495,963</u>	<u>21,870</u>
<u>1,879</u>	<u>4,343</u>	<u>2,464</u>	<u>(88,025)</u>	<u>(68,601)</u>	<u>19,424</u>
1,879	4,343	2,464	(88,025)	(68,601)	19,424
74,856	74,856		50,616	50,616	
			37,409	37,409	
<u>\$76,735</u>	<u>\$79,199</u>	<u>\$2,464</u>	<u>\$19,424</u>	<u>\$19,424</u>	<u>\$19,424</u>

(Continued)

**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Budget (Non-GAAP Basis) and Actual  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

	<b>Totals (Memorandum Only)</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Property Taxes	\$1,393,063	\$1,399,972	\$6,909
Income Taxes	637,290	641,565	4,275
Intergovernmental	2,523,587	2,744,927	221,340
Interest	80,305	96,942	16,637
Tuition and Fees	45,003	36,069	(8,934)
Extracurricular Activities	108,695	100,245	(8,450)
Gifts and Donations	9,300	10,870	1,570
Miscellaneous	1,050	1,299	249
Total Revenues	<u>4,798,293</u>	<u>5,031,889</u>	<u>233,596</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	1,913,195	1,848,769	64,426
Special	384,554	345,698	38,856
Vocational	219,625	209,765	9,860
Adult/Continuing	445	431	14
Other	2,500		2,500
Support Services:			
Pupils	64,429	60,428	4,001
Instructional Staff	217,498	189,977	27,521
Board of Education	47,884	27,827	20,057
Administration	366,876	336,280	30,596
Fiscal	163,506	148,828	14,678
Operation and Maintenance of Plant	567,267	415,621	151,646
Pupil Transportation	282,629	231,856	50,773
Central	1,025	926	99
Extracurricular Activities	227,655	204,447	23,208
Capital Outlay	431,788	421,535	10,253
Debt Service:			
Principal Retirement	125,000	125,000	
Interest and Fiscal Charges	108,902	108,902	
Total Expenditures	<u>5,124,778</u>	<u>4,676,290</u>	<u>448,488</u>
Excess of Revenues Over (Under) Expenditures	<u>(326,485)</u>	<u>355,599</u>	<u>682,084</u>
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Fixed Assets	300	1,219	919
Refund of Prior Year Expenditures	7,200	7,945	745
Other Financing Sources	200	230	30
Advances Out	(36,000)		36,000
Total Other Financing Sources (Uses)	<u>(28,300)</u>	<u>9,394</u>	<u>37,694</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(354,785)</u>	<u>364,993</u>	<u>719,778</u>
Fund Balances at Beginning of Year	1,161,117	1,161,117	
Prior Year Encumbrances Appropriated	143,774	143,774	
<b>Fund Balances at End of Year</b>	<b><u>\$950,106</u></b>	<b><u>\$1,669,884</u></b>	<b><u>\$719,778</u></b>

See accompanying notes to the general purpose financial statements

**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenses,  
and Changes in Fund Equity  
Enterprise Funds  
For the Fiscal Year Ended June 30, 1999**

<b>Operating Revenues:</b>	
Sales	\$164,321
Other Operating Revenues	<u>67</u>
Total Operating Revenues	<u>164,388</u>
<b>Operating Expenses:</b>	
Salaries	74,673
Fringe Benefits	30,138
Purchased Services	3,607
Materials and Supplies	4,236
Cost of Sales	84,649
Depreciation	<u>1,281</u>
Total Operating Expenses	<u>198,584</u>
Operating Loss	<u>(34,196)</u>
<b>Non-Operating Revenues:</b>	
Federal Donated Commodities	10,477
Operating Grants	21,173
Interest	<u>1,185</u>
Total Non-Operating Revenues	<u>32,835</u>
Net Loss	(1,361)
Retained Earnings (Deficit) at Beginning of Year	<u>(7,452)</u>
Retained Earnings (Deficit) at End of Year	(8,813)
Contributed Capital at Beginning and End of Year	<u>11,720</u>
<b>Total Fund Equity at End of Year</b>	<b><u><u>\$2,907</u></u></b>

*See accompanying notes to the general purpose financial statements*

**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenses, and Changes in  
Fund Balances - Budget (Non-GAAP Basis) and Actual  
Enterprise Funds  
For the Fiscal Year Ended June 30, 1999**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Sales	\$174,500	\$164,356	(\$10,144)
Operating Grants	21,500	24,518	3,018
Interest	1,000	1,185	185
	<u>197,000</u>	<u>190,059</u>	<u>(6,941)</u>
<b>Expenses:</b>			
Salaries	76,380	75,672	708
Fringe Benefits	31,813	30,110	1,703
Purchased Services	6,500	5,667	833
Materials and Supplies	92,093	78,589	13,504
Capital Outlay	7,000	210	6,790
Other Expenses	100		100
	<u>213,886</u>	<u>190,248</u>	<u>23,638</u>
Excess of Expenses Over Revenues	(16,886)	(189)	16,697
Fund Balances at Beginning of Year	<u>23,178</u>	<u>23,178</u>	<u></u>
<b>Fund Balances at End of Year</b>	<b><u>\$6,292</u></b>	<b><u>\$22,989</u></b>	<b><u>\$16,697</u></b>

*See accompanying notes to the general purpose financial statements*



**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Cash Flows  
Enterprise Funds  
For the Fiscal Year Ended June 30, 1999**

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

**Cash Flows from Operating Activities:**

Cash Received from Customers	\$164,356
Cash Payments for Salaries	(75,672)
Cash Payments for Fringe Benefits	(30,110)
Cash Payments to Suppliers for Goods and Services	<u>(82,466)</u>
Net Cash Used for Operating Activities	<u>(23,892)</u>

**Cash Flows from Noncapital Financing Activities:**

Cash Received from Operating Grants	<u>24,518</u>
-------------------------------------	---------------

**Cash Flows from Investing Activities:**

Cash Received from Interest	<u>1,185</u>
-----------------------------	--------------

Net Increase in Cash and Cash Equivalents 1,811

Cash and Cash Equivalents at Beginning of Year 23,178

**Cash and Cash Equivalents at End of Year \$24,989**

**RECONCILIATION OF OPERATING LOSS TO NET  
CASH USED FOR OPERATING ACTIVITIES:**

Operating Loss (\$34,196)

**Adjustments to Reconcile Operating Loss to Net**

**Cash Used for Operating Activities:**

Depreciation	1,281
Donated Commodities Used During Year	10,477
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(32)
Increase in Prepaid Items	(127)
Increase in Inventory Held for Resale	(236)
Increase in Materials and Supplies Inventory	(155)
Increase in Accounts Payable	70
Decrease in Accrued Wages and Benefits	(1,905)
Increase in Compensated Absences Payable	899
Increase in Intergovernmental Payable	<u>32</u>

**Net Cash Used for Operating Activities (\$23,892)**

*See accompanying notes to the general purpose financial statements*

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**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**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**

Arlington 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 1923 through the consolidation of existing land areas and school districts. The School District serves an area of approximately seventy-six square miles. It is located in Hancock County, and includes all of the Village of Arlington and portions of Eagle, Jackson, Madison, and Van Buren Townships. The School District is the 563rd largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by thirty-two classified employees and forty-eight certified teaching personnel, which includes three administrative employees who provide services to six hundred seventy-eight students and other community members. The School District currently operates one facility which houses the elementary, middle, and high schools.

**Reporting Entity:**

A reporting entity is composed 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 Arlington 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. There are no component units of the Arlington Local School District.

The School District is associated with three jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Blanchard Valley Cooperative Vocational Career Center, Hancock County Local Professional Development Committee, Hancock County Schools Health Benefit Fund and Trust, and NOACSC Workers' Compensation Group Rating Plan. Information about these organizations is presented in Notes 17 and 18 to the combined financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Arlington 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 the enterprise funds

**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

**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 of 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 - 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 Type

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

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be

**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The School District did not have any expendable or nonexpendable trust funds in fiscal year 1999. 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 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 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 fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The enterprise funds are accounted for using 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. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., 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 fund types 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.

**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxpayer-assessed income taxes, grants, investment earnings, tuition, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. 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 enterprise funds. 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 appropriation 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 and fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The Eisenhower, Title VI-B, Drug Free, and Early Childhood Preschool special revenue funds are flow through grants in which the Hancock County Educational Service Center is the primary recipient. Budgetary information for these funds is not included within the School District's reporting entity for which the "appropriated budget" is adopted.

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 Hancock County Budget Commission for rate determination.

**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(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 fiscal 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 of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources 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 of estimated resources issued during fiscal year 1999.

Appropriations

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

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, except agency funds, consistent with statutory provisions.

Encumbrances

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

**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

**D. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all 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 combined balance sheet.

Cash and cash equivalents held for the School District by the Hancock County Educational Service Center and Ohio Bank, who services the School District's bond and coupon payments, are included on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents".

During fiscal year 1999, investments were limited to 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 \$92,922, which includes \$11,258 assigned from other School District funds.

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

**E. 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.

**F. Inventory**

Inventory in the governmental funds is stated at cost while inventory in the enterprise funds is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in the governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased. Reported materials 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. Inventory in the enterprise funds consists of donated food, purchased food, and school supplies held for resale and is expensed when used.

**G. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by State statute to be set aside for the purchase



**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

of textbooks and other instructional materials, the acquisition and construction of capital improvements, and to create a reserve for budget stabilization.

**H. Fixed Assets and Depreciation**

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

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 enterprise fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty-five years.

**I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after eight years of service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the enterprise funds, the entire amount of compensated absences is reported as a fund liability.

**J. 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 liabilities 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 fiscal year end

**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

are not considered to have been paid using current available financial resources. Bonds are reported as a liability in the general long-term obligations account group until due.

Long-term debt and other obligations financed by the enterprise funds are reported as liabilities in the fund.

**K. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to the enterprise funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year end.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1994, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the enterprise funds have been classified as retained earnings.

**L. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

**M. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, entitlements, and shared revenues 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 enterprise fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

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

**Entitlements**

General Fund

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

**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

**Non-Reimbursable Grants**

Special Revenue Funds

- Teacher Professional Development
- Education Management Information System
- School Net Tech Training
- Eisenhower
- Title VI-B
- Title I
- Title VI
- Drug Free
- Early Childhood Preschool
- Continuous Improvement
- Library Service

Capital Projects Funds

- SchoolNet Plus
- Tech Equity
- Textbook/Instructional Materials
- Emergency Building Repair

**Reimbursable Grants**

General Fund

- Driver Education

Enterprise Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 54 percent of the revenues of the School District's governmental fund types during the 1999 fiscal year.

**N. Interfund Transactions**

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

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

**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.

**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

**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 or results of operations 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 - ACCOUNTABILITY**

The Education Management Information System and Title VI special revenue funds had deficit fund balances of \$17 and \$13, respectively, at June 30, 1999, 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.

The Food Service enterprise fund had deficit retained earnings of \$8,813 at June 30, 1999, as a result of accumulated operating losses from prior years.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - Enterprise Funds 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 enterprise funds (GAAP basis).
4. Although not part of the appropriated budget, the Eisenhower, Title VI-B, Drug Free, and Early Childhood Preschool special revenue funds are included as part of the reporting entity when preparing financial statements that conform with GAAP.

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

**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$577,182	\$14,195	\$14,859	(\$2,107)
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued FY 1998, Received in Cash FY 1999	245,471	425	7,758	
Accrued FY 1999, Not Yet Received in Cash	(316,397)		(18,274)	
Expenditure Accruals:				
Accrued FY 1998, Paid in Cash FY 1999	(383,548)	(5,493)		(62,955)
Accrued FY 1999, Not Yet Paid in Cash	408,275	6,938		475
Prepaid Items	8,355	(777)		
Excess of Revenues Under Expenditures For Non-budgeted Funds		530		
Encumbrances Outstanding at Year End (Budget Basis)	<u>(90,917)</u>	<u>(34,988)</u>		<u>(4,014)</u>
Budget Basis	<u>\$448,421</u>	<u>(\$19,170)</u>	<u>\$4,343</u>	<u>(\$68,601)</u>

Net Loss/Excess of Revenues Under Expenses  
Enterprise Funds

GAAP Basis	(\$1,361)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 1998, Received in Cash FY 1999	3,380
Accrued FY 1999, Not Yet Received in Cash	(67)
Expense Accruals:	
Accrued FY 1998, Paid in Cash FY 1999	(35,345)
Accrued FY 1999, Not Yet Paid in Cash	34,441
Prepaid Items	(127)
Inventory Held for Resale	(236)
Materials and Supplies Inventory	(155)
Depreciation Expense	1,281
Encumbrances Outstanding at Year End (Budget Basis)	<u>(2,000)</u>
Budget Basis	<u>(\$189)</u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits 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

**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

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 or deposit 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 bills, bonds, notes, 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 obligation or security 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 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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

At fiscal year end, the School District had \$7,703 in cash and cash equivalents which are included on the balance sheet as "Cash and Cash Equivalents with Fiscal Agents". This represents \$2,284 held by Ohio Bank, who services the School District's bond/coupon payments, and \$5,419 held by the Hancock County

**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

Educational Service Center. The Educational Service Center holds this flow through grant money for the School District together with that of other school districts and therefore the School District cannot classify this money by risk under GASB Statement No. 3.

At fiscal year end, the carrying amount of the School District's deposits was \$28,861 and the bank balance was \$157,527. Of the bank balance, \$100,000 was covered by federal depository insurance and \$57,527 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District's investments are 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 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 for which the securities 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. The School District's investment in STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form. At June 30, 1999, the fair value of funds on deposit with STAR Ohio was \$1,815,836.

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 classification of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$1,850,116	
Cash and Cash Equivalents with Educational Service Center	(5,419)	
Investments:		
STAR Ohio	(1,815,836)	\$1,815,836
GASB Statement No. 3	\$28,861	\$1,815,836

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. All property is required to be revalued every six years. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Public utility property taxes, attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current fiscal year. Tangible personal property assessments are 25 percent of true value.

**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. 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 semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Hancock County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$87,726 in the General Fund and \$18,274 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 1998, was \$37,242 in the General Fund and \$7,758 in the Bond Retirement debt service fund.

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

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$35,801,680	80.09%	\$42,628,720	80.45 %
Industrial/Commercial	2,982,770	6.67	2,980,280	5.62
Public Utility	3,168,460	7.09	3,168,730	5.98
Tangible Personal	2,749,965	6.15	4,210,153	7.95
Total Assessed Value	<u>\$44,702,875</u>	<u>100.00%</u>	<u>\$52,987,883</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	<u>\$41.70</u>		<u>\$40.14</u>	

**NOTE 7 - INCOME TAXES**

The School District levies a voted tax of 1.25 percent for general operations on the income of residents and of estates. The total tax was effective on January 1, 1996, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 1999, consisted of both property and income taxes, accounts (student fees and miscellaneous reimbursements), and intergovernmental receivables. 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 year guarantee of federal funds. Student fees are also considered collectible in



**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

full due to the withholding of diplomas and grade cards. Accounts receivable at June 30 were \$1,173. Intergovernmental receivables were recorded in the General Fund, in the amount of \$312.

**NOTE 9 - FIXED ASSETS**

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

Furniture and Equipment	\$42,591
Less Accumulated Depreciation	<u>(35,664)</u>
Net Fixed Assets	<u><u>\$6,927</u></u>

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

Asset Category	Balance at 6/30/98	Additions	Reductions	Balance at 6/30/99
Land and Improvements	\$87,036	\$775		\$87,811
Buildings	3,650,451	447,682		4,098,133
Furniture, Fixtures, and Equipment	1,044,134	110,936	\$92,553	1,062,517
Books	389,833	18,062		407,895
Vehicles	364,557	51,834	25,000	391,391
Total General Fixed Assets	<u><u>\$5,536,011</u></u>	<u><u>\$629,289</u></u>	<u><u>\$117,553</u></u>	<u><u>\$6,047,747</u></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 for the following insurance coverages:

Coverages provided by Republic Franklin Insurance Co. are as follows:

Total Policy Coverage - includes the following:	\$7,921,359
Buildings and Contents - replacement cost (\$250 deductible)	
Inland Marine Coverage (\$100 deductible)	
Boiler and Machinery (\$1,000 deductible for fire and explosion and \$500 mechanical)	

Coverages provided by Auto Owners Mutual Insurance are as follows:

Automobile Liability	\$1,000,000
Uninsured Motorists	1,000,000
Medical Payments - per person	5,000

Coverages provided by Utica National Insurance are as follows:

General School District Liability	
Per Occurrence	\$1,000,000
Total per Year	5,000,000
Umbrella Liability Insurance	6,000,000

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

**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

The School District participates in the Hancock County Schools Health Benefit Fund and Trust (the Trust), a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Mental Retardation/Developmental Disabilities. The School District pays monthly premiums to the Trust for employee medical, dental, vision, and life insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

For fiscal year 1999, the School District participates in the NOACSC Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to members that can meet the Plan's selection criteria. The members apply for participation each year. The firm of Acordia Workers' Compensation Services provides administrative, cost control, and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover the costs of administering the program.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. 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 administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 1999. For fiscal year 1998, 10.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997, were \$102,080, \$170,753, and \$164,250, respectively; 82.35 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. The unpaid contribution for fiscal year 1999, in the amount of \$18,015, is recorded as a liability within the respective funds.

**B. 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 administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and

**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 7.7 percent was the portion used to fund pension obligations for fiscal year 1999. For fiscal year 1998, 9.02 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997, were \$39,863, \$43,833, and \$44,741, respectively; 40.26 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. The unpaid contribution for fiscal year 1999, in the amount of \$23,816, is recorded as a liability within the respective funds and the general long-term obligations account group.

**C. Social Security System**

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

**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 classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 1999, the 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 \$136,106 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999 (the latest information available). For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000, and STRS had 95,796 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 6.3 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

**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$46,365 for fiscal year 1999.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 were \$126,380,984, and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits.

**NOTE 13 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components is derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred days for all school personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of fifty days.

**B. Health Care Benefits**

The School District provides medical, dental, vision, and life insurance to all employees through the Hancock County Schools Health Benefit Fund and Trust. Depending upon the plan chosen, 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.

**NOTE 14 - LONG-TERM OBLIGATIONS**

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

	<u>Balance at 6/30/98</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/99</u>
General Obligation Bonds:				
School Building Addition Bonds				
FY 1977                   5.380%	\$105,000		\$35,000	\$70,000
School Building Improvement Bonds				
FY 1992                   7.375%	1,505,000		90,000	1,415,000
Total General Obligation Bonds	<u>1,610,000</u>		<u>125,000</u>	<u>1,485,000</u>
Other Long-Term Obligations:				
Compensated Absences Payable	266,885	\$21,480		288,365
Intergovernmental Payable	28,334	32,346	28,334	32,346
Total General Long-Term Obligations	<u>\$1,905,219</u>	<u>\$53,826</u>	<u>\$153,334</u>	<u>\$1,805,711</u>

**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

FY 1977 School Building Addition Bonds - On March 1, 1977, the School District issued \$871,700 in voted general obligation bonds for constructing a building addition. The bonds were issued for a twenty-four year period, with final maturity in fiscal year 2001. The bonds are being retired through the Bond Retirement debt service fund.

FY 1992 School Building Improvement Bonds - On August 1, 1991, the School District issued \$1,990,000 in voted general obligation bonds for constructing a building addition to house the elementary school library, elementary classrooms, and a new gymnasium. The bonds were issued for a twenty-three year period, with final maturity in fiscal year 2015. The bonds are being retired through the Bond Retirement debt service fund.

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

The School District's overall debt margin was \$3,381,382 with an unvoted debt margin of \$52,988 at June 30, 1999.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	\$125,000	\$101,216	\$226,216
2001	125,000	93,439	218,439
2002	90,000	86,514	176,514
2003	90,000	80,439	170,439
2004	90,000	74,274	164,274
2005-2009	450,000	272,876	722,876
2010-2014	430,000	109,887	539,887
2015	85,000	3,134	88,134
	<u>\$1,485,000</u>	<u>\$821,779</u>	<u>\$2,306,779</u>

**NOTE 15 - RESERVATIONS OF FUND BALANCE**

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 1999.

	Textbooks	Capital Improvements	Budget Stabilization	Total
Balance June 30, 1998			\$12,624	\$12,624
Current Year Set Aside Requirement	\$63,337	\$63,337	31,669	158,343

**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>	<u>Total</u>
Workers Compensation Refund Received in Fiscal Year 1999			550	550
Current Year Offsets	(10,527)			(10,527)
Qualifying Expenditures	(46,292)	(47,632)		(93,924)
Balance June 30, 1999	<u>\$6,518</u>	<u>\$15,705</u>	<u>\$44,843</u>	<u>\$67,066</u>

**NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of Arlington Local School District as of and for the fiscal year ended June 30, 1999.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$164,388		\$164,388
Depreciation Expense	1,281		1,281
Operating Loss	(34,104)	(\$92)	(34,196)
Federal Donated Commodities	10,477		10,477
Operating Grants	21,173		21,173
Net Loss	(1,269)	(92)	(1,361)
Net Working Capital	4,960		4,960
Total Assets	43,423		43,423
Total Equity	2,907		2,907
Encumbrances Outstanding at Year End (Budget Basis)	2,000		2,000

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Area Computer Services Cooperative**

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Paulding, Hancock, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. 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 NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. Financial information can be obtained from Michael Wildermuth, who serves as director, 645 South Main Street, Lima, Ohio 45804.

**B. Blanchard Valley Cooperative Vocational Career Center**

The Blanchard Valley Cooperative Vocational Career Center is a distinct political subdivision of the State of Ohio established under Section 3313.90 of the Ohio Revised Code. The Career Center provides vocational instruction to students. The Career Center operates under the direction of an Advisory Council

**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

consisting of the superintendent of each participating school district and one additional representative appointed by the Findlay City School District. The Treasurers from the Putnam and Hancock County Educational Service Centers serve in an ex-officio capacity for all meetings. Financial information can be obtained from the Findlay City School District, Pam Barber, who serves as treasurer, 227 South West Street, Findlay, Ohio 45840-3377.

**C. Hancock County Local Professional Development Committee**

The Hancock County Local Professional Development Committee (HCLPDC) was established in 1999 to plan, promote, and facilitate effective and efficient professional educator license renewal standards and staff development activities. The HCLPDC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its members. The HCLPDC is governed by a thirteen member Executive Board. Financial information can be obtained from the Hancock County Educational Service Center, who serves as fiscal agent, 7746 County Road 140, Findlay, Ohio 45840.

**NOTE 18 - INSURANCE POOLS**

**A. Hancock County Schools Health Benefit Fund and Trust**

The Hancock County Schools Health Benefit Fund and Trust (the Trust) is a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Mental Retardation/Developmental Disabilities. The Trust is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, vision, and life insurance benefits to participants. The Administrative Committee of the Trust consists of the superintendent from each participating member. The Administrative Committee advises the trustee, Ohio Bank, concerning aspects of the administration of the Trust.

Each member decides which plans offered by the Administrative Committee that will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Tim Smith, Ohio Benefits Group, 545 Pearl Street, Bowling Green, Ohio 43402.

**B. NOACSC Workers' Compensation Group Rating Plan**

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The NOACSC Workers' Compensation Group Rating Plan (the Plan) was established through the Northwest Ohio Area Computer Services Cooperative (NOACSC) as an insurance purchasing pool.

The Safety Coordinator, Robert Lotz, of NOACSC, or his designee, serves as coordinator of the Plan. Each year, the participating members pay an enrollment fee to the Plan to cover the costs of administering the program.

**NOTE 19 - SCHOOL FOUNDATION PROGRAM**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's Legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "School Foundation Program", which provides significant monetary support to the School District.

**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

During the fiscal year ended June 30, 1999, the School District received \$2,079,602 of school foundation support for its General Fund.

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

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

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

**NOTE 21 - CONTINGENT LIABILITIES**

**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**

There are currently no matters in litigation with the School District as defendant.

**NOTE 22 - SUBSEQUENT EVENT**

On November 1, 1999, the School District issued \$1,144,210 in voted general obligation bonds to refund bonds previously issued in 1992, in the amount of \$1,990,000, for constructing a building addition to house the elementary school library, elementary classrooms, and a new gymnasium. The refunding bonds were issued for a fourteen year period, with final maturity during fiscal year 2014.





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

Arlington Local School District  
Hancock County  
336 South Main Street  
P.O. Box 260  
Arlington, Ohio 45814-0260

To the Board of Education:

We have audited the financial statements of Arlington Local School District, Hancock County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 20, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 20, 2000.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 20, 2000.

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

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

**Jim Petro**  
Auditor of State

December 20, 2000

**ARLINGTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 1999**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
1998-10232-001	<b>ORC § 5705.41(D)</b> certification of funds.	No	Significant improvement made that reduced this from a report citation to a management letter comment.





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OFFICE OF THE AUDITOR

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**ARLINGTON LOCAL SCHOOL DISTRICT**

**HANCOCK 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  
JANUARY 23, 2001**