



**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**SINGLE AUDIT - JUNE 30, 2000  
REGULAR AUDIT - JUNE 30, 1999**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2000 - 1999**



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

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**STATE OF OHIO**



**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

New Knoxville Local School District  
Auglaize County  
345 South Main Street  
New Knoxville, OH 45871-0476

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the New Knoxville Local School District, Auglaize County, (the District) as of and for the years ended June 30, 2000 and 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.

Except as discussed in the following paragraph, 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.

For the fiscal year ended June 30, 1999, we were unable to obtain sufficient evidential matter supporting the amounts recorded as fixed assets in the General Fixed Asset Account Group.

In our opinion, except for the fiscal year 1999 General Fixed Asset Account Group, upon which we express no opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2000 and 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust 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 January 25, 2001, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures, for the year ended June 30, 2000, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements, for the year ended June 30, 2000 and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

**JIM PETRO**  
Auditor of State

January 25, 2001

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**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
AS OF JUNE 30, 2000**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Assets and Other Debits:</b>				
Equity in Pooled Cash and and Cash Equivalents Investments	\$1,240,472	\$158,712	\$154,864	\$189,647
Cash and Cash Equivalents with Fiscal Agent		1,347		
Receivables:				
Property Taxes	992,354		139,917	34,328
Accounts	363	245		
Intergovernmental	9,999			
Accrued Interest				
Interfund Receivable	20,000			
Inventory Held for Resale				
Materials and Supplies Inventory	5,291			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	99,015			
Cash and Cash Equivalents with Fiscal Agent				27,590
Fixed Assets (Net, where applicable)				
<b>Other Debits:</b>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds				
Amount to be Provided from General Governmental Resources				
Total Assets and Other Debits	<u>\$2,367,494</u>	<u>\$160,304</u>	<u>\$294,781</u>	<u>\$251,565</u>
<b>Liabilities, Fund Equity and Other Credits:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$34,327	\$1,456	\$0	\$2,577
Accrued Wages and Benefits	247,466	2,455		
Compensated Absences Payable	9,559			
Intergovernmental Payable	46,308	518		
Interfund Payable			10,000	10,000
Liabilities Against Restricted Assets:				
Retainage Payable				27,590
Deferred Revenue	899,547		128,992	31,222
Due to Students				
General Obligation Bonds Payable				
Total Liabilities	<u>1,237,207</u>	<u>4,429</u>	<u>138,992</u>	<u>71,389</u>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	17,358	45,352	450	171,133
Reserved for Inventory	5,291			
Reserved for Endowment				
Reserved for Property Taxes	92,807		10,925	3,106
Reserved for Textbooks	24,338			
Reserved for Capital Improvements	36,353			
Reserved for Budget Stabilization	13,663			
Reserved for Bus Purchase	24,661			
Designated for Textbooks	660			
Designated for Capital Improvements	62,517			
Designated for Budget Stabilization	26,337			
Unreserved (Deficit)	826,302	110,523	144,414	5,937
Total Fund Equity and Other Credits	<u>1,130,287</u>	<u>155,875</u>	<u>155,789</u>	<u>180,176</u>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<u>\$2,367,494</u>	<u>\$160,304</u>	<u>\$294,781</u>	<u>\$251,565</u>

See accompanying notes to the general-purpose financial statements



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$45,127	\$9,828 10,000	\$0	\$0	\$1,798,650 10,000
				1,347
				1,166,599
				608
1,474				11,473
	16			16
				20,000
5,725				5,725
85				5,376
				99,015
				27,590
8,847		4,974,756		4,983,603
			155,789	155,789
			1,924,793	1,924,793
<u>\$61,258</u>	<u>\$19,844</u>	<u>\$4,974,756</u>	<u>\$2,080,582</u>	<u>\$10,210,584</u>
\$299	\$750	\$0	\$0	\$39,409
5,657				255,578
4,509			66,127	80,195
3,773			20,964	71,563
				20,000
				27,590
2,783				1,062,544
	9,307			9,307
			1,993,491	1,993,491
<u>17,021</u>	<u>10,057</u>	<u>0</u>	<u>2,080,582</u>	<u>3,559,677</u>
		4,974,756		4,974,756
44,237				44,237
				234,293
				5,291
	10,000			10,000
				106,838
				24,338
				36,353
				13,663
				24,661
				660
				62,517
				26,337
	(213)			1,086,963
<u>44,237</u>	<u>9,787</u>	<u>4,974,756</u>	<u>0</u>	<u>6,650,907</u>
<u>\$61,258</u>	<u>\$19,844</u>	<u>\$4,974,756</u>	<u>\$2,080,582</u>	<u>\$10,210,584</u>

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<b>Governmental Fund Types</b>				<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
<b>Revenues:</b>					
Property Taxes	\$1,069,766	\$0	\$130,415	\$26,174	\$1,226,355
Intergovernmental	1,509,695	296,596	16,431	29,630	1,852,352
Investment Income	65,567			74,311	139,878
Tuition and Fees	5,660				5,660
Extracurricular Activities	3,192	71,687			74,879
Gifts and Donations	730				730
Miscellaneous	5,948	135			6,083
<b>Total Revenues</b>	<b>2,660,558</b>	<b>368,418</b>	<b>146,846</b>	<b>130,115</b>	<b>3,305,937</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	1,450,324	7,589		12,811	1,470,724
Special	100,479	18,983			119,462
Support Services:					
Pupils	124,055	4,323			128,378
Instructional Staff	156,967	329,545		6,785	493,297
Board of Education	12,389				12,389
Administration	341,396				341,396
Fiscal	80,628		2,070	486	83,184
Operation and Maintenance of Plant	208,907			173,515	382,422
Pupil Transportation	79,646				79,646
Central	11,320				11,320
Operation of Non-Instructional Services	2,165			2,577	4,742
Extracurricular Activities	78,422	84,621			163,043
Capital Outlay				748,740	748,740
Intergovernmental		2,496			2,496
Debt Service:					
Principal Retirement			20,000		20,000
Interest and Fiscal Charges			97,530	11,718	109,248
<b>Total Expenditures</b>	<b>2,646,698</b>	<b>447,557</b>	<b>119,600</b>	<b>956,632</b>	<b>4,170,487</b>
Excess of Revenues Over (Under) Expenditures	13,860	(79,139)	27,246	(826,517)	(864,550)
<b>Other Financing Sources (Uses):</b>					
Proceeds from Sale of Fixed Assets	2,426				2,426
Operating Transfers In	902			1,976	2,878
Operating Transfers Out		(904)		(1,974)	(2,878)
<b>Total Other Financing Sources (Uses)</b>	<b>3,328</b>	<b>(904)</b>	<b>0</b>	<b>2</b>	<b>2,426</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	17,188	(80,043)	27,246	(826,515)	(862,124)
Fund Balances at Beginning of Year	1,109,551	235,918	128,543	1,006,691	2,480,703
Increase in Inventory	3,548				3,548
<b>Fund Balances at End of Year</b>	<b>\$1,130,287</b>	<b>\$155,875</b>	<b>\$155,789</b>	<b>\$180,176</b>	<b>\$1,622,127</b>

See accompanying notes to the general-purpose financial statements.

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**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$991,331	\$991,027	(\$304)			
Intergovernmental	1,499,881	1,500,546	665	\$ 292,895	\$ 289,642	\$ (3,253)
Investment Income	60,000	65,567	5,567			
Tuition and Fees	4,700	4,810	110			
Extracurricular Activities	3,190	3,192	2	71,370	71,757	387
Gifts and Donations	710	730	20			
Miscellaneous	3,164	4,163	999	0	135	135
<b>Total Revenues</b>	<b>2,562,976</b>	<b>2,570,035</b>	<b>7,059</b>	<b>364,265</b>	<b>361,534</b>	<b>(2,731)</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	1,899,670	1,477,584	422,086	11,198	10,083	1,115
Special	100,113	99,196	917	24,736	19,720	5,016
Support Services:						
Pupils	127,269	124,759	2,510	4,325	4,323	2
Instructional Staff	177,859	158,970	18,889	395,386	347,913	47,473
Board of Education	15,060	12,440	2,620			
Administration	399,372	341,035	58,337	2,675	0	2,675
Fiscal	89,334	82,859	6,475			
Operation and Maintenance of Plant	241,828	219,653	22,175			
Pupil Transportation	101,927	82,390	19,537			
Central	16,500	11,399	5,101			
Extracurricular Activities	83,150	78,446	4,704	104,958	96,651	8,307
Capital Outlay	60,000	2,165	57,835			
Intergovernmental				2,496	2,496	0
Debt Service:						
Debt Service - Principal						
Debt Service - Interest						
<b>Total Expenditures</b>	<b>3,312,082</b>	<b>2,690,896</b>	<b>621,186</b>	<b>545,774</b>	<b>481,186</b>	<b>64,588</b>
Excess of Revenues Over (Under) Expenditures	(749,106)	(120,861)	628,245	(181,509)	(119,652)	61,857
<b>Other Financing Sources and Uses</b>						
Operating Transfers In	902	902	0			
Proceeds from the Sale of Fixed Assets	2,425	2,426	1			
Advances In	6,700	6,700	0			
Refund of Prior Year Expenditures	6,620	6,629	9			
Operating Transfers Out				(905)	(904)	1
Other Financing Uses				(4,765)	(4,764)	1
Advances Out				(6,700)	(6,700)	0
<b>Total Other Financing Sources (Uses)</b>	<b>16,647</b>	<b>16,657</b>	<b>10</b>	<b>(12,370)</b>	<b>(12,368)</b>	<b>2</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(732,459)	(104,204)	628,255	(193,879)	(132,020)	61,859
Fund Balances at Beginning of Year	1,205,218	1,205,218		229,466	229,466	0
Prior Year Encumbrances Appropriated	167,217	167,217		14,458	14,458	0
<b>Fund Balances at End of Year</b>	<b>\$639,976</b>	<b>\$1,268,231</b>	<b>\$628,255</b>	<b>\$50,045</b>	<b>\$111,904</b>	<b>\$61,859</b>

See accompanying notes to the general-purpose financial statements.

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$139,717	\$139,719	\$2	\$34,721	\$34,282	(\$439)
16,430	16,431	1	29,623	29,630	7
			105,000	74,365	(30,635)
<u>156,147</u>	<u>156,150</u>	<u>3</u>	<u>169,344</u>	<u>138,277</u>	<u>(31,067)</u>
			13,018	12,811	207
			10,000	6,785	3,215
3,200	2,520	680	5,770	986	4,784
			231,405	184,091	47,314
			1,141,490	1,139,330	2,160
20,000	20,000	0	300,000	300,000	0
100,245	97,529	2,716	13,456	15,364	(1,908)
<u>123,445</u>	<u>120,049</u>	<u>3,396</u>	<u>1,715,139</u>	<u>1,659,367</u>	<u>55,772</u>
<u>32,702</u>	<u>36,101</u>	<u>3,399</u>	<u>(1,545,795)</u>	<u>(1,521,090)</u>	<u>24,705</u>
			0	1,976	1,976
(77,000)	0	77,000	(1,974)	(1,974)	0
<u>(77,000)</u>	<u>0</u>	<u>77,000</u>	<u>(1,974)</u>	<u>2</u>	<u>1,976</u>
(44,298)	36,101	80,399	(1,547,769)	(1,521,088)	26,681
117,870	117,870		356,447	356,447	
443	443		1,195,757	1,195,757	
<u>\$74,015</u>	<u>\$154,414</u>	<u>\$80,399</u>	<u>\$4,435</u>	<u>\$31,116</u>	<u>\$26,681</u>

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE  
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>(Memorandum Only)</u>
<b>Operating Revenues:</b>			
Sales	\$103,872	\$0	\$103,872
Investment Income		114	114
Total Operating Revenues	<u>103,872</u>	<u>114</u>	<u>103,986</u>
<b>Operating Expenses:</b>			
Salaries	35,970		35,970
Fringe Benefits	11,440		11,440
Purchased Services	3,112		3,112
Materials and Supplies	1,687		1,687
Cost of Sales	69,033		69,033
Depreciation	760		760
Other	1,426	750	2,176
Total Operating Expenses	<u>123,428</u>	<u>750</u>	<u>124,178</u>
Operating Loss	<u>(19,556)</u>	<u>(636)</u>	<u>(20,192)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Federal Donated Commodities	7,154		7,154
Operating Grants	13,391		13,391
Total Non-Operating Revenues (Expenses)	<u>20,545</u>	<u>0</u>	<u>20,545</u>
Net Income (Loss)	989	(636)	353
Retained Earnings/Fund Balance at Beginning of Year (Restated)	43,248	10,423	53,671
Retained Earnings/Fund Balance at End of Year	<u>\$44,237</u>	<u>\$9,787</u>	<u>\$54,024</u>

*See accompanying notes to the general purpose financial statements*

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<b>Proprietary Fund Type</b>	<b>Fiduciary Fund Types</b>	<b>Totals</b>
	<b>Enterprise</b>	<b>Nonexpendable Trust</b>	<b>(Memorandum Only)</b>
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>			
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$103,872	\$0	\$103,872
Cash Payments to Suppliers for Goods and Services	(61,531)		(61,531)
Cash Payments to Employees for Services	(35,203)		(35,203)
Cash Payments for Employee Benefits	(11,806)		(11,806)
Cash Payments for Other Expenses	(1,426)	(750)	(2,176)
Net Cash Used for Operating Activities	(6,094)	(750)	(6,844)
<b>Cash Flows from Noncapital Financing Activities:</b>			
Operating Grants Received	11,917		11,917
<b>Cash Flows from Investing Activities:</b>			
Cash Received from Interest		498	498
Net Increase (Decrease) in Cash and Cash Equivalents	5,823	(252)	5,322
Cash and Cash Equivalents at Beginning of Year	39,304	10,773	50,077
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$45,127</b>	<b>\$10,521</b>	<b>\$55,399</b>
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</b>			
Operating Loss	(\$19,556)	(\$636)	(\$20,192)
<b>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</b>			
Donated Commodities Used During Year	7,154		7,154
Depreciation	760		760
Interest		(114)	(114)
<b>Changes in Assets and Liabilities:</b>			
Decrease in Inventory Held for Resale	6,145		6,145
Increase in Materials and and Supplies Inventory	(35)		(35)
Decrease in Accounts Payable	(962)		(962)
Decrease in Accrued Wages and Benefits	(585)		(585)
Increase in Compensated Absences Payable	1,028		1,028
Decrease in Intergovernmental Payable	(43)		(43)
<b>Net Cash Used for Operating Activities</b>	<b>(\$6,094)</b>	<b>(\$750)</b>	<b>(\$6,844)</b>
<b>Reconciliation of Trust and Agency Funds</b>			
Cash and Cash Equivalents - All Fiduciary Funds		\$19,828	
Cash and Cash Equivalents - Agency Funds		(9,307)	
Cash and Cash Equivalents - Nonexpendable Trust Funds		\$10,521	

*See accompanying notes to the general-purpose financial statements*

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (BUDGETARY BASIS)  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Enterprise Funds</u>			<u>Nonexpendable Trust Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Operating Revenues:</b>						
Sales	\$103,600	\$103,872	\$272	\$0	\$0	\$0
Investment Income				450	498	48
Federal and State Subsidies	11,900	11,917	17			
Total Operating Revenues	<u>115,500</u>	<u>115,789</u>	<u>289</u>	<u>450</u>	<u>498</u>	<u>48</u>
<b>Operating Expenses:</b>						
Salaries	38,750	35,203	3,547			
Fringe Benefits	12,327	11,806	521			
Purchased Services	3,290	3,252	38			
Materials and Supplies	87,387	72,827	14,560			
Other	1,450	1,426	24	1,500	1,500	0
Total Operating Expenses	<u>143,204</u>	<u>124,514</u>	<u>18,690</u>	<u>1,500</u>	<u>1,500</u>	<u>0</u>
Excess of Revenue Over (Under) Expenses	(27,704)	(8,725)	18,979	(1,050)	(1,002)	48
Fund Equity at Beginning of Year	29,100	29,100		10,172	10,172	
Prior Year Encumbrances Appropriated	10,203	10,203		601	601	
Fund Equity at End of Year	<u>\$11,599</u>	<u>\$30,578</u>	<u>\$18,979</u>	<u>\$9,723</u>	<u>\$9,771</u>	<u>\$48</u>

*See accompanying notes to the general-purpose financial statements*



**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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 1833 through the consolidation of existing land areas and school districts. The School District serves an area of approximately thirty-three square miles. It is located in Auglaize County, and includes all of the Village of New Knoxville and portions of surrounding townships. It is staffed by eighteen non-certificated employees, thirty-four certificated full-time teaching personnel and three administrative employees who provide services to 455 students and other community members. The School District currently operates one instructional building. The administrative and Board of Education offices are located within the instructional building.

**A. Reporting Entity:**

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits, of or provide financial support to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District is associated with four jointly governed organization and two group purchasing pools. These organizations include Western Ohio Computer Organization (WOCO), the Auglaize County Local Professional Development Committee, the West Central Regional Professional Development Center, the West Central Ohio Special Education Regional Resource Center, the Mercer/Auglaize Area Schools Employee Welfare Benefit Association, and the Ohio School Board Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 to the combined financial statements.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY  
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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 device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net expendable available resources.

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

**1. Governmental Fund Types**

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

**General Fund**

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

**Special Revenue Funds**

Special revenue funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY  
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Debt Service Fund**

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

**Capital Projects Funds**

The capital project 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 and trust funds).

**2. Proprietary Fund Types**

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

**Enterprise Funds**

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

**3. 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 governments, and other funds. The School District's fiduciary fund types are non-expendable trust and agency funds. Non-expendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**4. Account Groups**

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

**General Fixed Assets Account Group (GFAAG)**

The GFAAG accounts for all fixed assets of the School District except those accounted for in proprietary or trust funds.

**General Long-Term Obligations Account Group (GLTOAG)**

The GLTOAG accounts for all unmatured principal on general long-term obligations except that which is accounted for in proprietary funds or trust funds.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY  
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary funds' operating statements 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, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants, 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, 2000 and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have also been recorded as deferred revenue.

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

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY  
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Process**

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**1. 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 Auglaize County Budget Commission for rate determination.

**2. Estimated Resources:**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Official Certificate of Estimated Resources which states the estimated beginning fund balance and projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include the actual unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final Amended Certificate issued during fiscal year 2000.

**3. Appropriations:**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY  
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The Appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

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

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

**4. Encumbrances:**

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of moneys 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 year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**5. Lapsing of Appropriations:**

At the close of each 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.

**D. Cash and Cash Equivalents**

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

During fiscal year 2000, investments were limited to STAR OHIO and non-negotiable certificates of deposit, federal agency securities, and open-end mutual funds.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY  
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR OHIO) during fiscal year 2000. 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, 2000.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during fiscal year 2000 amounted to \$65,567, which includes \$18,167 assigned from other School District funds.

Cash and cash equivalents that are held separately for the School District by a fiscal agent and not held within the School District treasury are recorded on the balance sheet as "Cash and Cash Equivalents with Fiscal Agent."

For purposes of the Combined Statement of Cash Flows and for presentation of the Combined Balance Sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**E. Inventory**

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

**F. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks and instructional materials, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 15 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

Certain resources were also set aside for retainage held on contracts and is classified as restricted assets on the balance sheet because their use is limited by contract.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY  
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Fixed Assets and Depreciation**

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

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

**H. Intergovernmental Revenues**

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

**Non-Reimbursable Grants**

**Special Revenue Funds**

- Local Professional Development
- Education Management Information Systems
- SchoolNet Professional Development
- Ohio Reads
- Title VI-B
- Title VI
- Financial Literacy Grant
- Raising the Bar Grant
- Library Grant

**Capital Project Funds**

- Technology Equity



**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY  
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Reimbursable Grants**

**General Fund**

Driver Education

**Capital Project Funds**

Emergency Building Repair

**Proprietary Funds**

National School Lunch Program

Government Donated Commodities

Grants and entitlements amounted to approximately fifty-six percent of the School District's Governmental operating revenue during the 2000 fiscal year.

**I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer 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 termination method. An accrual for estimated sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary 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 a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds are reported as a liability of the general long-term obligations account group until due. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**K. Interfund Transactions**

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

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY  
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Fund Balance Reserves and Designations**

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

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 money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for endowments signifies the legal restriction on the use of principal.

The School District designates a portion of fund equity to indicate tentative planned expenditures of financial resources. A fund balance designation has been established for the revenue set-aside for textbooks and instructional materials and capital improvement that were in excess of the statutorily required amounts.

**M. Use of 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.

**N. 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.

**3. RESTATEMENT OF PRIOR YEAR RETAINED EARNINGS**

The Enterprise Fund type retained earnings was understated \$9,606 in the prior year. This misstatement was the result of fixed assets being improperly valued. The effect of this change on retained earnings for the Enterprise Fund type as previously reported for the year ended June 30, 1999, is as follows:

Retained earnings as previously reported	\$33,642
Restatement	<u>9,606</u>
Restated amount at July 1, 1999	<u>\$43,248</u>

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY  
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING**

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

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 disclosures in the proprietary fund types (GAAP basis).
4. Proceeds from, and principal payment on bond anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
5. In addition, the School District does not budget for the activities of the funds held and spent on behalf of the School District.

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

<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types and Similar Fiduciary Funds</b>				
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Project</b>
GAAP Basis	\$17,188	(\$80,043)	\$27,247	(\$826,515)
Adjustments:				
Revenue Accruals	(83,634)	266	(696)	(1,891)
Expenditure Accruals	26,798	(242)	10,000	(224,160)
Net Change in Fair Value of Investments				5,189
Note Principal Retirement				(300,000)
To record Excess of Revenues over Expenditures for Nonbudgeted Funds Advances	6,700	1,507 (6,700)		
Outstanding Encumbrances at Fiscal Year End (Budget Basis)	(71,256)	(46,808)	(450)	(173,711)
Budget Basis	<u>(\$104,204)</u>	<u>(\$132,020)</u>	<u>\$36,101</u>	<u>(\$1,521,088)</u>

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY  
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING (Continued)**

	<b>Enterprise Funds</b>	<b>Non-Expendable Trust</b>
<b>Net Income/Excess of Revenues Over Expenses All Enterprise and Non-Expendable Trust Funds</b>		
GAAP Basis	\$ 989	(\$636)
Adjustments:		
Revenue Accruals	(1,509)	384
Expense Accruals	(561)	
Depreciation	760	
Inventory	6,145	
Encumbrance Outstanding at Year End (Budget Basis)	<u>(14,549)</u>	<u>( 750)</u>
Budget Basis	<u>(\$ 8,725)</u>	<u>(\$1,002)</u>

**5. DEPOSITS AND INVESTMENTS**

The Treasurer is responsible for selecting depositories and investing funds. State statutes classify monies held by the School District into three categories.

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

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

Interim deposits are deposits of interim moneys. Interim moneys are those moneys 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 pass book accounts.

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;

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**5. DEPOSITS AND INVESTMENTS (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marking association. All federal agency services shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the School District;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR OHIO);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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, 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's special revenue funds had a balance of \$1,347 with the Auglaize County Educational Service Center (ESC). The money is held by the ESC in a pooled account which is representative of numerous funds therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents along with financial information for the ESC as a whole may be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Wapakoneta, OH 45895.

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

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**5. DEPOSITS AND INVESTMENTS (Continued)**

**Deposits:** At fiscal year end, the carrying amount of the School District's deposits was \$1,471,891 and the bank balance was \$1,536,470. Of the bank balance \$110,000 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized. Although the securities were held by the pledging financial institutions trust departments in the School District's name and all state statutory requirements for the investment of money had been followed, noncompliance with federal requirement would potentially subject the School District to a successful claim by the FDIC.

**Investments:** GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements," requires that local governments disclose the fair value of investments, classified by risk. The School District's investments are categorized as either (1) insured or registered or for which the securities are held by the School District or its agent in the School District's name, (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the School District's name or (3) uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

	<b>Risk Category</b>	<b>Fair</b>
	<b>2</b>	<b>Value</b>
Federal National Mortgage Association	\$298,860	\$298,860
STAR OHIO		97,169
Mutual Funds		67,135
Total		\$463,364

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. The classification of cash and cash equivalents (deposits) and investments for purposes of the note above is based on criteria set forth in GASB Statement No. 3.

A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications per GASB 3 is as follows:

	<b>Cash and Cash Equivalents/ Deposits</b>	<b>Investments</b>
<b>GASB Statement 9</b>	\$1,926,602	\$10,000
Cash with ESC	(1,347)	
Investments:		
Certificates of Deposit	10,000	(10,000)
Federal National Mortgage Association	(298,860)	298,860
STAR Ohio	(97,169)	97,169
Mutual Funds	(67,335)	67,335
<b>GASB Statement 3</b>	\$1,471,891	\$463,364

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**6. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half distributions are received in the first half of the following fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2000 represent the collection of calendar year 1999 taxes. For 2000, real property taxes were levied after April 1, 2000, on the assessed values as of January 1, 2000, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously. Tangible personal property tax revenues received in calendar year 2000 (other than public utility property) represent the collection of calendar year 2000 taxes. For 2000, tangible personal property taxes were levied after April 1, 1999, on the value as of December 31, 1998, the lien date. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Auglaize and Shelby Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2000, are available to finance fiscal year 2000 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 were measurable as of June 30, 2000. 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, 2000, was \$92,807 in the General Fund, \$10,925 in the Debt Service Fund, and \$3,106 in the Replacement Capital Project Fund.

The assessed values upon which the fiscal year 2000 taxes were collected are:

	<b>1999 Second- Half Collections</b>		<b>2000 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$22,359,140	66.64%	\$25,925,320	69.41%
Industrial/Commercial	5,844,160	17.42	6,213,750	16.68
Personal Property Public Utility	1,956,990	5.83	1,869,840	5.01
Tangible Personal Property	<u>3,390,300</u>	<u>10.11</u>	<u>3,326,590</u>	<u>8.90</u>
Total Assessed Value	<u>\$33,550,590</u>	<u>100.00%</u>	<u>\$37,335,500</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$52.83		 \$52.35	

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**6. PROPERTY TAXES (Continued)**

The tax rate for the retirement of debt was reduced by\$.48 mills due to an increase in the assessed valuation.

**7. RECEIVABLES**

Receivables at June 30, 2000, consisted of property taxes, accounts (rent and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards. A summary of the principal items of intergovernmental receivables follows:

	<b>Amount</b>
<b>General Fund</b>	
Transportation	\$ 9,149
Drivers Education	<u>850</u>
Total General Fund	<u>9,999</u>
<b>Enterprise Funds</b>	
Federal Lunch Subsidy	<u>1,474</u>
Total Intergovernmental Receivable	<u>\$11,473</u>

**8. FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$38,613
Less Accumulated Depreciation	<u>(29,766)</u>
Net Fixed Asset	<u>\$8,847</u>

A summary of the changes in general fixed assets during fiscal year 2000 follows:

<b>Asset Category</b>	<b>Balance at June 30, 1999</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at June 30, 2000</b>
Land and Improvements	\$15,326	\$0	\$0	\$15,326
Buildings and Improvements	1,631,622	2,394,912		4,026,534
Furniture, Fixtures and Equipment	569,772	138,813		708,585
Vehicles	224,311			224,311
Construction in Progress	<u>1,143,316</u>		<u>1,143,316</u>	
Totals	<u>\$3,584,347</u>	<u>\$2,533,725</u>	<u>\$1,143,316</u>	<u>\$4,974,756</u>

**9. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted with Nationwide Insurance for property, fleet insurance, liability insurance, and inland marine coverage. Coverages provided by this company are as follows:



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**9. RISK MANAGEMENT (Continued)**

Building and Contents-replacement cost (\$1,000 deductible)	\$8,542,800
EDP Coverage	560,000
Automobile Liability	1,000,000
Medical Payments Per Person	10,000
Theft	25,000
Forgery	100,000
Employee Dishonesty	100,000
General Liability	
Per occurrence	1,000,000
Aggregate	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reductions in coverages from the prior year.

For fiscal year 2000, the School District participated in the Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program (the Program), an insurance purchasing pool (Note 19). The Program is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the Program.

A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the Program. Participation in the Program is limited to school districts that can meet the Program's selection criteria. The school districts apply for participation each year. The firm of Acordia of Northeast Ohio provides administrative, cost control, and actuarial services to the Program. Each year, the School District pays an enrollment fee to the Program to cover the costs of administering the program.

The School District participates in the Mercer Auglaize Benefit Trust (Trust), a public entity shared risk pool consisting of eight local school districts, two city school districts, one exempted village school district, and two educational service centers. The School District pays monthly premiums to the Trust for medical and dental 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.

**10. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan 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 required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

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**10. DEFINED BENEFIT PENSION PLANS (Continued)**

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.5 percent was the portion used to fund pension obligations for fiscal year 2000. For fiscal year 1999, 7.7 percent was the portion 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 contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$14,864, \$18,726 and \$25,519, respectively; 43 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$8,712 is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides 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 basis 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 2000. 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 contribution for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$128,988, \$125,110, and \$155,532, respectively; 89 percent has been contributed for 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$14,258, is recorded as a liability within the respective funds.

**11. POST EMPLOYMENT BENEFITS**

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

The State Teachers Retirement System 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 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$171,985 for fiscal year 2000.

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**11. POST EMPLOYMENT BENEFITS (Continued)**

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 8.5 percent of covered payroll; an increase from 6.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, equaled \$32,573 for fiscal year 2000.

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.

**12. EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 200 days for teachers, administrators, and classified personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 45 days for teachers, administrators, and classified personnel.

**B. Health Care Benefits**

The School District has elected to provide employee medical/surgical benefits through Mercer/Auglaize Area Schools Employee Welfare Benefit Association. The employees share the cost of the monthly premium of the hospitalization/major medical plan with the Board. The premium varies with employee depending on the terms of union contract and family or single coverage. The Board pays 92 percent of the hospitalization/major medical plan and 100 percent of dental insurance.

The School District also provides life insurance and accidental death and dismemberment insurance with CoreSource Insurance.

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**13. NOTES PAYABLE**

During fiscal year 2000, the School District paid the building addition note of \$300,000 in full. The interest rate on the note was 4.51 percent. All of the notes are bond anticipation notes and are backed by the full faith and credit of the School District. The notes were paid by the taxes levied for the repayment of the debt.

**14. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	<b>Outstanding 6-30-99</b>	<b>Additions</b>	<b>Deductions</b>	<b>Outstanding 6-30-00</b>
General Obligation Bonds:				
Serial and Term Bonds	\$1,960,000	\$0	\$20,000	\$1,940,000
Capital Appreciation Bonds	46,984	6,507	0	53,491
Pension Obligation	19,288	20,964	19,288	20,964
Compensated Absences	<u>45,099</u>	<u>21,028</u>	<u>0</u>	<u>66,127</u>
Total General Long-Term Obligations	<u>\$2,071,371</u>	<u>\$ 48,499</u>	<u>\$ 39,288</u>	<u>\$2,080,582</u>

**Building Addition. General Obligation Bonds** - On March 20, 1998, the School District issued \$1,999,768 in voted general obligation bonds for the purpose of constructing an addition to their existing instruction building. The bond issue included serial, term, and capital appreciation bonds in the amount of \$725,000, \$1,235,000, and \$39,768, respectively. The bonds were issued for a twenty-six year period with final maturity at December 1, 2024. The bonds will be retired from the debt service fund.

The term bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, in each of the years 2016 through 2023 (with the balance of \$140,000 to be paid at stated maturity on December 1, 2024) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Principal Amount To be Redeemed</u>	<u>Year</u>	<u>Principal Amount To be Redeemed</u>
2016	\$115,000	2020	\$140,000
2017	120,000	2021	145,000
2018	125,000	2022	155,000
2019	135,000	2023	160,000

Current serial bonds redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory redemption requirement.

The serial bonds maturing after December 1 in 2008 are subject to optional redemption, in whole or in part of any date in inverse order of maturity and by lot within a maturity, in integral multiples of \$5,000 at the option of the School District on or after December 1, 2028 at the redemption prices (expressed as percentages of the principal amount to be redeemed) set forth below, plus accrued interest to the redemption date:

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**14. LONG-TERM OBLIGATIONS (Continued)**

Redemption Dates (Dates Inclusive)	Redemption Prices
December 1, 2008 through November 30, 2009	101.0%
December 1, 2009 and thereafter	100.0%

The capital appreciation bonds will mature in fiscal years 2013 through 2015. The maturity amount of the bonds is \$345,000. For fiscal year 2000, \$6,507 was accreted for a total bond value of \$53,491.

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid. The change in compensated absences is presented net because it is not practical to determine the actual increase and decrease.

The School District's overall legal debt margin was \$1,366,704 with an unvoted debt margin of \$37,336 at June 30, 2000.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2000, are as follows:

Fiscal Year June 30	Total
2001	\$116,474
2002	105,854
2003	115,214
2004	109,458
2005	118,575
2006-2010	730,264
2011-2015	896,461
2016-2025	<u>1,712,978</u>
Total	<u>\$3,905,278</u>

**15. SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30,	\$16,627	\$8,159	\$13,663
Current Year Set-aside Requirement	64,626	64,626	0
Current Year Offsets	0	(35,302)	0
Qualifying Disbursements	<u>(56,915)</u>	<u>(1,130)</u>	<u>0</u>
Total	<u>\$24,338</u>	<u>\$36,353</u>	<u>\$13,663</u>
Balance Carried Forward to FY 2001	<u>\$24,338</u>	<u>\$36,353</u>	<u>\$13,663</u>

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**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 the School District as of and for the fiscal year ended June 30, 2000.

	<b>Food Service</b>	<b>Uniform School Supplies</b>	<b>Enterprise Fund Totals</b>
Operating Revenues	\$85,604	\$18,268	\$103,872
Operating Income (Loss)	(26,312)	6,756	(19,556)
Donated Commodities	7,154	0	7,154
Operating Grants	13,391	0	13,391
Net Income (Loss)	(5,767)	6,756	989
Net Working Capital	(2,943)	38,333	35,390
Total Assets	22,626	38,632	61,258
Total Equity	5,904	38,333	44,237
Encumbrances Outstanding At June 30, 2000 (Budget Basis)	233	14,316	14,549

**17. INTERFUND ACTIVITY**

As of June 30, 2000, receivables and payables that resulted from various interfund transactions were as follows:

<u><b>Fund Type/Fund</b></u>	<b>Interfund</b>	
	<u><b>Receivable</b></u>	<u><b>Payable</b></u>
General Fund	\$20,000	\$0
Debt Service		
Bond	0	10,000
Capital Projects		
Replacement	<u>0</u>	<u>10,000</u>
Total All Funds	<u>\$20,000</u>	<u>\$20,000</u>

**18. JOINTLY GOVERNED ORGANIZATIONS**

**Western Ohio Computer Organization** - The School District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. WOCO is an association of public school districts within the boundaries of Auglaize, Shelby, Hardin, Loran, and Champaign Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. Financial information can be obtained from Sharon Waldsmith, Treasurer of Shelby County Educational Service Center, at 129 East Court Street, Sidney, Ohio 45365.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY  
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**18. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**Auglaize County Local Professional Development Committee** - The Auglaize County Local Professional Development Committee is a consortium operated under the direction of a Board consisting of the president of the local teachers' union from each member, one principal from each local school district, the superintendent from each local school district and the project coordinator. The jointly governed organization was formed to provide an appropriate process for educators to create an Individual Professional Development Plan which will facilitate professional growth opportunities and effectively meet state licensure requirements. Financial information can be obtained from Krista Hart, Treasurer of the Auglaize County Educational Service Center at 520 Industrial Drive, Wapakoneta, Ohio 45895.

**West Central Regional Professional Development Center (Center)** - The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities than are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a board made up of fifty-two representatives; one from each of the participating school districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information may be obtained by contacting Bradley Brown, Treasurer at the Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

**West Central Ohio Special Education Regional Resource Center (SERRC)** - The SERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organizations was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a board of 52 members which includes the superintendent from each participating school districts, and representatives from a non-public school and Wright State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board, Financial information can be obtained by contacting the Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY  
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**19. GROUP PURCHASING POOL**

**Mercer/Auglaize Benefit Trust** - The Mercer Auglaize Employee Benefit Trust (the Plan) is a public entity shared risk pool consisting of eight local school districts, two city school districts, one exempted village school district, and two educational service centers. The Plan is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides sick, accident and other benefits to the employees of the participating school districts. Each participating school district's superintendent is appointed to a Board of Trustees which advises the Trustee, Mid-American Bank, concerning aspects of the administration of the Trust.

Each school district decides which plans offered by the Board of Trustees will be extended to its employees. Participation in the Plan is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums. Financial information can be obtained from James Mauntler, who serves as consultant with Schmidt, Long, and Associates, at 4169 North Holland Sylvania Road, Suite 203, Building 3, Toledo, Ohio 43623.

**Ohio School Boards Association Workers' Compensation Group Rating Plan** - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool. The Plan's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**20. SCHOOL FUNDING**

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. During the fiscal year ended June 30, 2000, the School District received \$1,360,345 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County 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 Supreme Court rendered an opinion on this issue. The Supreme 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 Ohio 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 Supreme 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.



**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY  
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**20. SCHOOL FUNDING (Continued)**

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

**21. CONTINGENCIES**

**A. Grants:**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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, 2000.

**B. Litigation:**

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Assets and Other Debits:</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,319,325	\$243,923	\$118,314	\$1,569,803
Cash and Cash Equivalents with Fiscal Agent		2,854		
Receivables:				
Property Taxes	955,454		152,875	45,569
Accounts	1,048	511		
Intergovernmental	4,419			
Accrued Interest				
Interfund Receivable	6,700		5,135	
Inventory Held for Resale				
Materials and Supplies Inventory	1,743			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	53,110			
Fixed Assets				
<b>Other Debits:</b>				
Amount Available in Debt Service				
Fund for Retirement of General Obligation Bonds				
Amount to be Provided from General Governmental Resources				
<b>Total Assets and Other Debits</b>	<u>\$2,341,799</u>	<u>\$247,288</u>	<u>\$276,324</u>	<u>\$1,615,372</u>
<b>Liabilities, Fund Equity and Other Credits:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$26,264	\$2,043	\$0	\$0
Contracts Payable				192,680
Retainage Payable				62,866
Accrued Wages and Benefits	234,185	2,275		
Compensated Absences Payable	2,425			
Intergovernmental Payable	47,988	352		
Interfund Payable		6,700		5,135
Deferred Revenue	921,386		147,781	44,354
Due to Students				
Accrued Interest Payable				3,646
Notes Payable				300,000
General Obligation Bonds Payable				
<b>Total Liabilities</b>	<u>1,232,248</u>	<u>11,370</u>	<u>147,781</u>	<u>608,681</u>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	120,043	12,415	445	942,310
Reserved for Inventory	1,743			
Reserved for Endowment				
Reserved for Property Taxes	34,068		5,094	1,215
Reserved for Textbooks	16,627			
Reserved for Capital Improvements	8,159			
Reserved for Budget Stabilization	13,663			
Reserved for Bus Purchase	14,661			
Designations:				
Designated for Textbooks and Instructional Materials	5,285			
Designated for Capital Improvements	31,841			
Designated for Budget Stabilization	6,337			
Unreserved (Deficit)	857,124	223,503	123,004	63,166
<b>Total Fund Equity and Other Credits</b>	<u>1,109,551</u>	<u>235,918</u>	<u>128,543</u>	<u>1,006,691</u>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<u>\$2,341,799</u>	<u>\$247,288</u>	<u>\$276,324</u>	<u>\$1,615,372</u>

See accompanying notes to the general-purpose financial statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			\$3,310,332
\$39,304	\$19,663	\$0	\$0	2,854
				1,153,898
				1,559
				4,419
	400			400
				11,835
11,949				11,949
				1,793
50				53,110
		3,584,347		3,584,347
			128,543	128,543
			1,942,828	1,942,828
<u>\$51,303</u>	<u>\$20,063</u>	<u>\$3,584,347</u>	<u>\$2,071,371</u>	<u>\$10,207,867</u>
\$1,261	\$1,021	\$0	\$0	\$30,589
				192,680
				62,866
6,241				242,701
3,481			45,099	51,005
3,816			19,288	71,444
				11,835
2,862				1,116,383
	8,620			8,620
				3,646
				300,000
			2,006,984	2,006,984
<u>17,661</u>	<u>9,641</u>	<u>0</u>	<u>2,071,371</u>	<u>4,098,753</u>
		3,584,347		3,584,347
33,642				33,642
				1,075,213
				1,743
	10,000			10,000
				40,377
				16,627
				8,159
				13,663
				14,661
				5,285
				31,841
				6,337
	422			1,267,219
<u>33,642</u>	<u>10,422</u>	<u>3,584,347</u>	<u>0</u>	<u>6,109,114</u>
<u>\$51,303</u>	<u>\$20,063</u>	<u>\$3,584,347</u>	<u>\$2,071,371</u>	<u>\$10,207,867</u>

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE 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>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Revenues:</b>					
Property Taxes	\$956,133	\$0	\$148,114	\$44,012	\$1,148,259
Intergovernmental	1,505,413	208,583	15,009	327,133	2,056,138
Investment Income	78,358			115,295	193,653
Tuition and Fees	3,480				3,480
Extracurricular Activities	5,105	74,965			80,070
Gifts and Donations	100	6,649			6,749
Miscellaneous	11,789		5,135		16,924
Total Revenues	<u>2,560,378</u>	<u>290,197</u>	<u>168,258</u>	<u>486,440</u>	<u>3,505,273</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	1,396,050	8,217		57,802	1,462,069
Special	72,012	33,491			105,503
Support Services:					
Pupils	56,995	2,267			59,262
Instructional Staff	137,337	23,879			161,216
Board of Education	11,516				11,516
Administration	335,789				335,789
Fiscal	90,575		1,383	1,506	93,464
Operation and Maintenance of Plant	148,742			432,367	581,109
Pupil Transportation	75,937				75,937
Extracurricular Activities	66,829	62,874			129,703
Capital Outlay	4,930	4,826		1,170,701	1,180,457
Intergovernmental		2,197			2,197
Debt Service:					
Interest and Fiscal Charges			122,105	12,567	134,672
Total Expenditures	<u>2,396,712</u>	<u>137,751</u>	<u>123,488</u>	<u>1,674,943</u>	<u>4,332,894</u>
Excess of Revenues Over (Under)					
Expenditures	<u>163,666</u>	<u>152,446</u>	<u>44,770</u>	<u>(1,188,503)</u>	<u>(827,621)</u>
<b>Other Financing Sources (Uses):</b>					
Proceeds from Sale of Fixed Assets	140				140
Operating Transfers In		1,164			1,164
Operating Transfers Out	(644)	(520)			(1,164)
Total Other Financing Sources (Uses)	<u>(504)</u>	<u>644</u>	<u>0</u>	<u>0</u>	<u>140</u>
Excess of Revenues and Other Financing Sources Over (Under)					
Expenditures and Other Uses	163,162	153,090	44,770	(1,188,503)	(827,481)
Fund Balances at Beginning of Year	944,646	82,828	83,773	2,195,194	3,306,441
Increase in Inventory	1,743				1,743
Fund Balances at End of Year	<u>\$1,109,551</u>	<u>\$235,918</u>	<u>\$128,543</u>	<u>\$1,006,691</u>	<u>\$2,480,703</u>

See accompanying notes to the general-purpose financial statements

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**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$1,101,184	\$1,004,553	(\$96,631)			
Intergovernmental	1,465,246	1,504,032	38,786	\$ 214,915	\$ 201,342	\$ (13,573)
Investment Income	73,000	78,359	5,359			
Tuition and Fees	4,947	7,472	2,525			
Extracurricular Activities	3,000	5,105	2,105	71,984	74,895	2,911
Gifts and Donations	0	100	100	7,169	6,649	(520)
Miscellaneous	300	3,468	3,168			
<b>Total Revenues</b>	<b>2,647,677</b>	<b>2,603,089</b>	<b>(44,588)</b>	<b>294,068</b>	<b>282,886</b>	<b>(11,182)</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	2,019,372	1,538,244	481,128	15,466	7,105	8,361
Special	78,908	74,235	4,673	37,350	30,476	6,874
Support Services:						
Pupils	63,863	62,196	1,667	2,300	2,267	33
Instructional Staff	140,428	130,115	10,313	22,694	19,510	3,184
Board of Education	12,655	12,229	426			
Administration	373,939	359,668	14,271			
Fiscal	108,043	94,752	13,291			
Operation and Maintenance of Plant	198,156	161,919	36,237			
Pupil Transportation	86,315	73,574	12,741			
Extracurricular Activities	74,700	67,048	7,652	112,806	75,944	36,862
Capital Outlay	321,350	4,930	316,420	4,826	4,826	0
Intergovernmental				2,197	2,197	0
Debt Service:						
Debt Service - Principal						
Debt Service - Interest						
<b>Total Expenditures</b>	<b>3,477,729</b>	<b>2,578,910</b>	<b>898,819</b>	<b>197,639</b>	<b>142,325</b>	<b>55,314</b>
Excess of Revenues Over (Under) Expenditures	(830,052)	24,179	854,231	96,429	140,561	44,132
<b>Other Financing Sources and Uses</b>						
Operating Transfers In				644	1,164	520
Proceeds from the Sale of Notes						
Proceeds from the Sale of Fixed Assets	0	140	140			
Advances In					6,700	6,700
Refund of Prior Year Expenditures	0	4,493	4,493	282	282	0
Refund of Prior Year Receipts				(282)	(282)	0
Operating Transfers Out	(663)	(644)	19	(520)	(520)	0
Other Financing Uses				(637)	(637)	0
Advances Out	(6,701)	(6,700)	1			
<b>Total Other Financing Sources (Uses)</b>	<b>(7,364)</b>	<b>(2,711)</b>	<b>4,653</b>	<b>(513)</b>	<b>6,707</b>	<b>7,220</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(837,416)	21,468	858,884	95,916	147,268	51,352
Fund Balances at Beginning of Year	1,122,319	1,122,319		66,108	66,108	
Prior Year Encumbrances Appropriated	61,431	61,431		16,090	16,090	
<b>Fund Balances at End of Year</b>	<b>\$346,334</b>	<b>\$1,205,218</b>	<b>\$858,884</b>	<b>\$178,114</b>	<b>\$229,466</b>	<b>\$51,352</b>

See accompanying notes to the general-purpose financial statements

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$128,950	\$152,712	\$23,762	\$49,482	\$45,553	(\$3,929)
15,030	15,009	(21)	354,266	327,133	(27,133)
			100,000	118,874	18,874
<u>143,980</u>	<u>167,721</u>	<u>23,741</u>	<u>503,748</u>	<u>491,560</u>	<u>(12,188)</u>
			62,827	58,097	4,730
1,755	1,583	172	4,000	1,776	2,224
			661,580	605,333	56,247
			1,987,455	1,986,256	1,199
			300,000	300,000	0
122,350	122,349	1	15,000	12,210	2,790
<u>124,105</u>	<u>123,932</u>	<u>173</u>	<u>3,030,862</u>	<u>2,963,672</u>	<u>67,190</u>
19,875	43,789	23,914	(2,527,114)	(2,472,112)	55,002
			2,322,767	2,322,767	0
			305,135	305,135	0
(2,322,767)	(2,322,767)	0			
<u>(2,322,767)</u>	<u>(2,322,767)</u>	<u>0</u>	<u>2,627,902</u>	<u>2,627,902</u>	<u>0</u>
(2,302,892)	(2,278,978)	23,914	100,788	155,790	55,002
2,396,848	2,396,848		138,028	138,028	
			62,629	62,629	
<u>\$93,956</u>	<u>\$117,870</u>	<u>\$23,914</u>	<u>\$301,445</u>	<u>\$356,447</u>	<u>\$55,002</u>

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE  
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>(Memorandum Only)</u>
<b>Operating Revenues:</b>			
Sales	\$107,944		\$107,944
Investment Income		\$ 528	528
Contributions and Donations		741	741
Total Operating Revenues	<u>107,944</u>	<u>1,269</u>	<u>109,213</u>
<b>Operating Expenses:</b>			
Salaries	24,518		24,518
Fringe Benefits	11,718		11,718
Purchased Services	1,304		1,304
Materials and Supplies	2,155		2,155
Cost of Sales	60,913		60,913
Depreciation	56		56
Other	136	750	886
Total Operating Expenses	<u>100,800</u>	<u>750</u>	<u>101,550</u>
Operating Income	<u>7,144</u>	<u>519</u>	<u>7,663</u>
<b>Non-Operating Revenues</b>			
Federal Donated Commodities	8,601		8,601
Operating Grants	<u>14,294</u>		<u>14,294</u>
Total Non-Operating Revenues	<u>22,895</u>	<u>0</u>	<u>22,895</u>
Net Income	30,039	519	30,558
Retained Earnings/Fund Balance at Beginning of Year	<u>3,603</u>	<u>9,903</u>	<u>13,506</u>
Retained Earnings/Fund Balance at End of Year	<u>\$33,642</u>	<u>\$10,422</u>	<u>\$44,064</u>

*See accompanying notes to the general-purpose financial statements*



**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<b>Proprietary Fund Type</b>	<b>Fiduciary Fund Type</b>	<b>Totals</b>
	<b>Enterprise</b>	<b>Nonexpendable Trust</b>	<b>(Memorandum Only)</b>
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>			
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$107,944	\$0	\$107,944
Cash Received from Contributions and Donations		\$741	741
Cash Payments to Suppliers for Goods and Services	(55,915)		(55,915)
Cash Payments to Employees for Services	(33,042)		(33,042)
Cash Payments for Employee Benefits	(10,984)		(10,984)
Cash Payments for Other Expenses	(136)	(750)	(886)
Net Cash Used for Operating Activities	7,867	(9)	7,858
<b>Cash Flows from Noncapital Financing Activities:</b>			
Operating Grants Received	16,190		16,190
<b>Cash Flows from Investing Activities:</b>			
Cash Received from Interest		659	659
Net Increase in Cash and Cash Equivalents	24,057	650	24,707
Cash and Cash Equivalents at Beginning of Year	15,247	10,122	25,369
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$39,304</b>	<b>\$10,772</b>	<b>\$50,076</b>
<b>Reconciliation of Operating Income to Net Cash Used for Operating Activities:</b>			
Operating Income	\$7,144	\$519	\$7,663
<b>Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:</b>			
Depreciation	56		56
Donated Commodities Used During Year	8,601		8,601
Interest		(528)	(528)
<b>Changes in Assets and Liabilities:</b>			
Decrease in Accounts Receivable	1		1
Increase in Inventory Held for Resale	(493)		(493)
Decrease in Materials and and Supplies Inventory	88		88
Increase in Accounts Payable	261		261
Increase in Accrued Wages and Benefits	738		738
Decrease in Compensated Absences Payable	(8,939)		(8,939)
Increase in Intergovernmental Payable	410		410
<b>Net Cash Used for Operating Activities</b>	<b>\$7,867</b>	<b>(\$9)</b>	<b>\$7,858</b>
<b>Reconciliation of Trust and Agency Funds</b>			
Cash and Cash Equivalents - All Fiduciary Funds		\$19,663	
Cash and Cash Equivalents - Agency Funds		(8,891)	
Cash and Cash Equivalents - Nonexpendable Trust Funds		\$10,772	

*See accompanying notes to the general-purpose financial statements*

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

	Proprietary Fund Type Enterprise Funds			Fiduciary Fund Type Nonexpendable Trust Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues:</b>						
Sales	\$109,050	\$107,944	(\$1,106)			
Investment Income				\$ 660	\$ 659	\$ (1)
Contributions and Donations				640	741	101
Federal and State Subsidies	14,400	16,190	1,790			
Total Operating Revenues	<u>123,450</u>	<u>124,134</u>	<u>684</u>	<u>1,300</u>	<u>1,400</u>	<u>100</u>
<b>Operating Expenses:</b>						
Salaries	36,000	33,042	2,958			
Fringe Benefits	13,827	12,190	1,637			
Purchased Services	1,427	1,394	33			
Materials and Supplies	75,340	63,519	11,821			
Other	150	136	14	1,500	1,350	150
Total Operating Expenses	<u>126,744</u>	<u>110,281</u>	<u>16,463</u>	<u>1,500</u>	<u>1,350</u>	<u>150</u>
Excess of Revenue Over (Under) Expenses	(3,294)	13,853	17,147	(200)	50	250
Fund Equity at Beginning of Year	11,804	11,804		9,372	9,372	
Prior Year Encumbrances Appropriated	<u>3,443</u>	<u>3,443</u>		<u>750</u>	<u>750</u>	
Fund Equity at End of Year	<u>\$11,953</u>	<u>\$29,100</u>	<u>\$17,147</u>	<u>\$9,922</u>	<u>\$10,172</u>	<u>\$250</u>

*See accompanying notes to the general-purpose financial statements*

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

New Knoxville 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 1833 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 33 square miles. It is located in Auglaize County, and includes all of the Village of New Knoxville and portions of surrounding townships. It is staffed by seventeen non-certificated employees, thirty-five certificated full-time teaching personnel and three administrative employees who provide services to 495 students and other community members. The School District currently operates one instructional building. The administrative and Board of Education offices are located within the instructional building.

**A. Reporting Entity:**

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits, of or provide financial support to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District is associated with four jointly governed organization and two group purchasing pools. These organizations include Western Ohio Computer Organization (WOCO), Auglaize County Local Professional Development Committee, West Central Regional Ohio Regional Professional Development Center, the West Central Ohio Special Education Regional Resource Center, Mercer Auglaize Benefit Trust, and the Ohio School Board Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 19 and 20 to the general purpose financial statements.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**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 device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net expendable available resources.

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

**1. Governmental Fund Types**

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

**General Fund**

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

**Special Revenue Funds**

Special revenue funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Debt Service Fund**

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

**Capital Projects Funds**

The capital project 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 and trust funds).

**2. Proprietary Fund Types**

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

**Enterprise Funds**

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

**3. 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 governments, and/or other funds. The School District's fiduciary fund types included non-expendable trust and agency funds. Non-expendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**4. Account Groups:**

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

**General Fixed Assets Account Group**

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

**General Long-Term Obligations Account Group**

This account group is established to account for all long-term obligations of the School District except that which is accounted for in proprietary or trust funds.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus and Basis of Accounting**

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

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary and nonexpendable trust funds operating statements 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 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 year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, 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 also been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds and nonexpendable trust funds. Revenues are recognized in the accounting period in which they are earned and, 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.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Process**

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**1. 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 Auglaize County Budget Commission for rate determination.

**2. Estimated Resources:**

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

**3. Appropriations:**

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**4. Encumbrances:**

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of moneys 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 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.

**5. Lapsing of Appropriations:**

At the close of each 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.

**D. Cash and Cash Equivalents**

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 the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 1999, investments were limited to STAR OHIO, non-negotiable certificates of deposit, federal agency securities, and open-end mutual funds.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR OHIO) during fiscal year 1999. 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.



**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during fiscal year 1999 amounted to \$78,358, which includes \$17,721 assigned from other School District funds.

Cash and cash equivalents that are held separately for the School District by a fiscal agent and not held within the School District treasury are recorded on the balance sheet as "Cash and Cash Equivalents with Fiscal Agent."

For purposes of the Combined Statement of Cash Flows and for presentation of the Combined Balance Sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**E. Inventory**

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

**F. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks and instructional materials, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 15 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves

**G. Fixed Assets and Depreciation**

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**H. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis are recorded as receivable and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. The School District currently participates in several State and Federal programs, categorized as follows:

- Entitlements**
  - General Fund**
    - State Foundation Program
    - State Property Tax Relief
    - School Bus Program
  - Special Revenue**
    - Textbook Subsidy
- Non-Reimbursable Grants**
  - Special Revenue Funds**
    - Local Professional Development
    - Education Management Information Systems
    - SchoolNet Professional Development
    - Title I
    - Title II
    - Title VI-B
    - Title VI
    - Microsoft
    - Library Automation
    - Financial Literacy
  - Capital Project Funds**
    - School Net
    - Technology Equity
- Reimbursable Grants**
  - General Fund**
    - Driver Education
  - Capital Projects Funds**
    - Emergency Building Repair
  - Proprietary Funds**
    - National School Lunch Program
    - Government Donated Commodities

Grants and entitlements amounted to approximately fifty-eight percent of the School District's Governmental operating revenue during the 1999 fiscal year.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employee's 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 termination method. An accrual for estimated sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making terminations payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary 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 a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after fiscal year end are considered not to have used current available financial resources. Bonds are reported as a liability of the general long-term obligations account group until due.

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

**K. Interfund Transactions**

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

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Fund Balance Reserves and Designations**

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

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 money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for endowments signifies the legal restrictions on the use of principal.

The School District designates a portion of fund equity to indicate tentative planned expenditures of financial resources. A fund balance designation has been established for the revenue set-aside for textbooks and instructional materials and capital improvement that were in excess of the statutorily required amounts.

**M. Use of Estimates**

The preparation of the 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.

**N. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with general accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**3. ACCOUNTABILITY**

At June 30, 1999, the Title VI-B and Title I special revenue funds had deficit fund balances of \$9,328 and \$2,986, respectively. The deficit fund balance was created by the application of generally accepted accounting principles to these funds. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**4. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - All Governmental Fund Types and the Combined Statements of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budgetary Basis) - Proprietary and Similar Fiduciary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. Proceeds from and principal payments on bond anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
5. In addition, the School District does not budget for the activities of the funds held and spent on behalf of the School District.

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

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

	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Project</b>
GAAP Basis	\$163,162	\$153,090	\$44,770	(\$1,188,503)
Revenue Accruals	47,474	(220)	(537)	2,329,241
Expenditure Accruals	(15,251)	1,516	(2,322,767)	212,163
Net Increase in Fair Value of Investments	0	0	0	(1,354)
Note Proceeds	0	0	0	300,000
Note Principal Retirement	0	0	0	(300,000)
To Record Excess of Revenues Over				
Expenditures for Nonbudgeted Funds	0	639	0	0
Advances In (Out)	(6,700)	6,700	0	0
Encumbrances Outstanding				
At year End (Budget Basis)	(167,217)	(14,457)	(444)	(1,195,757)
Budget Basis	<u>\$21,468</u>	<u>\$147,268</u>	<u>(\$2,278,978)</u>	<u>\$155,790</u>

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**4. BUDGETARY BASIS OF ACCOUNTING (Continued)**

**Net Income/Excess of Revenues Over Expenses  
Proprietary Fund Type and Similar Trust Funds**

	<b>Enterprise</b>	<b>Nonexpendable Trust</b>
GAAP Basis	\$30,039	\$519
Revenue Accruals	1,897	131
Expense Accruals	(7,530)	0
Materials and Supplies Inventory	88	0
Inventory Held for Resale	(493)	0
Depreciation Expense	56	0
Encumbrances Outstanding at Fiscal		
Year End (Budget Basis)	(10,204)	(600)
Budget Basis	\$13,853	\$50

**5. DEPOSITS AND INVESTMENTS**

The Treasurer is responsible for selecting depositories and investing funds. State statutes classify monies held by the School District into three categories.

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

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

Interim deposits are deposits of interim moneys. Interim moneys are those moneys 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 pass book accounts.

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;

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**5. DEPOSITS AND INVESTMENTS (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marking association. All federal agency services shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the School District;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR OHIO);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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, 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's special revenue fund had a balance of \$2,854 with the Auglaize County Educational Service Center (ESC). The money is held by the ESC in a pooled account which is representative of numerous funds therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents along with financial information for the Auglaize County Educational Service Center as a whole may be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Drive, Wapakoneta, Ohio 45895.

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

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**5. DEPOSITS AND INVESTMENTS (Continued)**

**Deposits:** At fiscal year end, the carrying amount of the School District's deposits was \$846,375 and the bank balance was \$962,375. Of the bank balance \$110,000 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized. Although the securities were held by the pledging financial institutions trust departments in the School District's name and all state statutory requirements for the investment of money had been followed, noncompliance with federal requirement could potentially subject the School District to a successful claim by the FDIC.

**Investments:** GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements," requires that local governments disclose the market value and carrying amounts of investments, classified by risk. The School District's investments are categorized as either (1) insured or registered or for which the securities are held by the School District or its agent in the School District's name, (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the School District's name or (3) uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

	<b>Risk Category 1</b>	<b>Fair Value</b>
Federal Home Loan Mortgage Association Notes	\$791,450	\$791,450
Federal National Mortgage Association Notes	843,570	843,570
	\$1,635,020	1,635,020
STAROhio		241,334
Mutual Funds		640,713
Total		\$2,517,067

STAR OHIO, an investment pool operated by the Ohio State Treasurer and investments in mutual funds are unclassified since they are not evidenced by securities that exist in physical or book entry form.

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. The classification of cash and cash equivalents (deposits) and investments for purposes of the note above is based on criteria set forth in GASB Statement No. 3. A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications per GASB 3 is as follows:

	<b>Cash and Cash Equivalents/ Deposits</b>	<b>Investments</b>
GASB Statement No. 9	\$3,366,296	\$0
Cash with ESC	(2,854)	
Investments:		
Federal Home Loan Mortgage Association	(791,450)	791,450
Federal National Mortgage Association	(843,570)	843,570
StarOHIO	(241,334)	241,334
Mutual Funds	(640,713)	640,713
GASB Statement No. 3	\$846,375	\$2,517,067



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**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. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. 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. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. 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. The assessed values upon which fiscal year 1999 taxes were collected are:

	<b>1998 Second- Half Collections</b>		<b>1999 First- Half Collections</b>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$27,738,260	82.16%	\$28,203,300	84.06%
Public Utility	2,552,290	7.56%	1,956,990	5.83%
Tangible Personal Property	<u>3,469,755</u>	<u>10.28%</u>	<u>3,390,300</u>	<u>10.11%</u>
Total Assessed Value	<u>\$33,760,305</u>	<u>100.00%</u>	<u>\$33,550,590</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$52.83		 \$52.83	

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current 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 \$34,068 in the general fund, \$5,094 in the bond retirement debt service fund, and \$1,215 in the replacement capital projects fund. The amount available as an advance at June 30, 1998, was \$82,488 in the general fund, \$9,692 in the bond retirement debt service fund, \$2,756 in the replacement capital projects fund.

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(Continued)**

**7. RECEIVABLES**

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

A summary of the principal items of intergovernmental receivables follows:

General Fund	<b>Amount</b>
Transportation	\$3,039
Special Revenue Funds	
Telecommunications Act Grant	<u>1,380</u>
Total Intergovernmental Receivables	<u><u>\$4,419</u></u>

**8. FIXED ASSETS**

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

Furniture and Equipment	\$10,296
Less Accumulated Depreciation	<u>(10,296)</u>
Net Fixed Asset	<u><u>\$0</u></u>

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

	<b>Balance 06/30/98</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 06/30/99</b>
Land and Improvements	\$15,326	\$0	\$ 0	\$15,326
Buildings and Improvements	1,631,622	0	0	1,631,622
Furniture, Fixtures and Equipment	465,922	103,850	0	569,772
Vehicles	224,311	0	0	224,311
Construction in Progress	<u>0</u>	1,143,316	<u>0</u>	1,143,316
Total	<u><u>\$2,337,181</u></u>	<u><u>\$1,247,166</u></u>	<u><u>\$ 0</u></u>	<u><u>\$3,584,347</u></u>

**9. RISK MANAGEMENT**

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

Building and Contents - Replacement cost (\$1,000 deductible)	\$8,542,800
EDP Coverage	560,000
Automobile Liability	1,000,000
Medical Payments Per Person	10,000
Theft	25,000
Forgery	100,000
Employee Dishonesty	100,000
General Liability	
Per occurrence	\$1,000,000
Aggregate	5,000,000

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**9. RISK MANAGEMENT (Continued)**

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

For fiscal year 1999, the School District participated in the Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program (the Program), an insurance purchasing pool (Note 20). The Program is intended to reduce premiums for participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Total savings are then calculated and each participant's individual performances is compared to the overall savings percent of the Program.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the Program. Participation in the Program is limited to school districts that can meet the Program's selection criteria. The school districts apply for participation each year. The firm of Acordia of Northeast Ohio provides administrative, cost control, and actuarial services to the Program. Each year, the School District pays an enrollment fee to the Program to cover costs of administering the program.

The School District participates in the Mercer Auglaize Benefit Trust (Trust), a public entity shared risk pool consisting of eight local school districts, two city school districts, an exempted village school district, and two educational service centers. The School District pays monthly premiums to the Trust for medical and dental 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.

**10. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

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**10. DEFINED BENEFIT PENSION PLANS (Continued)**

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was the portion 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 contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$18,726, \$25,519, and \$23,373, respectively; 34.9 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$12,193 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 1999, plan members are required to contribute 9.3 percent of their annual covered salary. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's contribution for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$125,110, \$155,532, and \$151,056, respectively; 88.6 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$14,304 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**11. POST EMPLOYMENT BENEFITS**

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

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**11. POST EMPLOYMENT BENEFITS (Continued)**

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$166,812 during the 1999 fiscal year.

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

For SERS, coverage is made available to service retirees with ten or more fiscal 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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll; an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, equaled \$29,648 during the 1999 fiscal year.

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

**12. EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators and classified employees earn sick leave at the rate of one and one fourth days per month. Sick leave may be accumulated up to a maximum of 200 days for teachers, administrators, and classified personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused credit to a maximum of 40 days for teachers, administrators and classified personnel.

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(Continued)**

**12. EMPLOYEE BENEFITS (Continued)**

**B. Health Care Benefits**

The School District has elected to provide employee medical/surgical benefits through Mercer Auglaize Area Schools Employee Welfare Benefit Association. The employees share the cost of the monthly premium of the hospitalization/major medical plan with the Board. The premium varies with employee depending on the terms of the union contract and family or single coverage. The Board pays 92 percent of the hospitalization/major medical plan and 100 percent of dental insurance. The School District also provides life insurance and accidental death and dismemberment insurance with CoreSource Insurance.

**13. NOTES PAYABLE**

A summary of the note transactions for the fiscal year ended June 30, 1999 follows:

	<b>Outstanding 6/30/98</b>	<b>Issued</b>	<b>Retired</b>	<b>Outstanding 6/30/99</b>
Capital Projects Funds:				
Building Addition 4.51%	\$300,000	\$300,000	\$300,000	\$300,000

All of the notes are bond anticipation notes and are backed by the full faith and credit of the School District. The note liability is reflected in the fund which received the proceeds. The notes will be paid by the taxes levied for the repayment of the debt.

**14. LONG-TERM OBLIGATIONS**

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

	<b>Outstanding 6-30-98</b>	<b>Additions</b>	<b>Deductions</b>	<b>Outstanding 6-30-99</b>
<b>General Obligation Bonds:</b>				
Serial and Term Bonds	\$1,960,000	\$0	\$0	\$1,960,000
Capital Appreciation Bonds	39,768	7,216	0	46,984
Pension Obligation	14,637	19,288	14,637	19,288
Compensated Absences	126,132	0	81,033	45,099
<b>Total General Long-Term Obligations</b>	<u>\$2,140,537</u>	<u>\$ 26,504</u>	<u>\$ 95,670</u>	<u>\$2,071,371</u>

**Building Addition. General Obligation Bonds** - On March 20, 1998, the School District issued \$1,999,768 in voted general obligation bonds for the purpose of constructing an addition to their existing instruction building. The bond issue included serial, term, and capital appreciation bonds in the amount of \$725,000, \$1,235,000, and \$39,768, respectively. The bonds were issued for a twenty-six year period with final maturity at December 1, 2024. The bonds will be retired from the debt service fund.

The term bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, in each of the years 2016 through 2023 (with the balance of \$140,000 to be paid at stated maturity on December 1, 2024) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

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(Continued)**

**14. LONG-TERM OBLIGATIONS (Continued)**

<b>Year</b>	<b>Principal Amount To be Redeemed</b>	<b>Year</b>	<b>Principal Amount To be Redeemed</b>
2016	\$115,000	2020	\$140,000
2017	120,000	2021	145,000
2018	125,000	2022	155,000
2019	135,000	2023	160,000

Current serial bonds redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory redemption requirement.

The serial bonds maturing after December 1 in 2008 are subject to optional redemption, in whole or in part of any date in inverse order of maturity and by lot within a maturity, in integral multiples of \$5,000 at the option of the School District on or after December 1, 2028 at the redemption prices (expressed as percentages of the principal amount to be redeemed) set forth below, plus accrued interest to the redemption date:

<b>Redemption Dates (Dates Inclusive)</b>	<b>Redemption Prices</b>
December 1, 2008 through November 30, 2009	101.0%
December 1, 2009 and thereafter	100.0%

The capital appreciation bonds will mature in fiscal years 2013 and 2015. The maturity amount of the bonds is \$345,000. For fiscal year 1999, \$7,216 was accreted for a total bond value of \$46,984.

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid. The change in compensated absences is presented net because it is not practical to determine the actual increase and decrease.

The School District's overall legal debt margin was \$712,569 with an unvoted debt margin of \$33,551 at June 30, 1999.

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

<b><u>Fiscal Year June 30</u></b>	<b><u>Total</u></b>
2000	\$117,284
2001	116,474
2002	105,854
2003	115,214
2004	109,458
2005-2009	667,050
2010-2014	899,956
2015-2025	<u>1,891,272</u>
Total	<u>\$4,022,562</u>

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**15. SET-ASIDE CALCULATIONS AND FUND RESERVES**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization. The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<b>Textbooks</b>	<b>Capital Acquisition</b>	<b>Budget Stabilization</b>	<b>Totals</b>
Set-aside Cash Balance as of June	\$0	\$0	\$13,663	\$13,663
Current Year Set-aside Requirement	42,580	42,580	0	85,160
Current Year Offsets	(7,865)	(34,421)	0	
Qualifying Disbursements	<u>(18,088)</u>	<u>0</u>	<u>0</u>	<u>(18,088)</u>
Total	<u>16,627</u>	<u>8,159</u>	<u>13,663</u>	<u>38,449</u>
Cash carried Forward to Fiscal Year	<u>\$16,627</u>	<u>\$8,159</u>	<u>\$13,663</u>	38,449
Amount Restricted for Bus Purchases				<u>14,661</u>
<u>Total Restricted Assets</u>				<u>\$53,110</u>

**16. INTERFUND ACTIVITY**

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

<b>Fund Type/Fund</b>	<b>Interfund</b>	
	<b>Receivable</b>	<b>Payable</b>
General Fund	\$6,700	\$0
Special Revenue Funds:		
Title VI-B	0	6,700
Debt Service Fund:		
Bond Retirement	5,135	0
Capital Projects Fund:		
Building	<u>0</u>	<u>5,135</u>
Total All Funds	<u>\$11,835</u>	<u>\$11,835</u>

**17. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains three 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 the School District as of and for the fiscal year ended June 30, 1999.



**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**17. SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

	<b>Food Service</b>	<b>Uniform School Supplies Fund</b>	<b>Enterprise Totals</b>
Operating Revenues	\$85,237	\$18,707	\$107,944
Depreciation Expense	56	0	56
Operating Income (Loss)	(2,588)	9,732	7,144
Donated Commodities	8,601	0	8,601
Operating Grants	14,294	0	14,294
Net Income	20,307	9,732	30,039
Net Working Capital	5,546	31,577	37,123
Total Assets	18,465	32,838	51,303
Total Equity	2,065	31,577	33,642
Encumbrances Outstanding At June 30, 1999 (Budget Basis)	3,710	6,494	10,204

**18. CONTRACTUAL OBLIGATIONS**

As of June 30, 1999, the School District had the following contractual obligations:

		<b>Amount</b>
Buschur Electric	Electrical	\$ 63,151
Freytag and Associates	Architectural Services	137,641
Farnham Company	Casework and Equipment	178,000
Vulcan Company	Fire Protection	23,272
Lima Contracting	General Construction	317,940
Frost and Company	Plumbing	28,869
Frost and Company	Heating	84,065

**19. JOINTLY GOVERNED ORGANIZATIONS**

**Western Ohio Computer Organization** - The School District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. WOCO is an association of public school districts within the boundaries of Auglaize, Shelby, Hardin, Loran, and Champaign Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. Financial information can be obtained from Sharon Waldsmith, Treasurer of Shelby County Educational Service Center, at 129 East Court Street, Sidney, Ohio 45365.

**Auglaize County Local Professional Development Committee** - The Auglaize County Local Professional Development Committee is a consortium operated under the direction of a Board consisting of the president of the local teachers' union from each member, one principal from each local school district, the superintendent from each local school district and the project coordinator. The jointly governed organization was formed to provide an appropriate process for educators to create an Individual Professional Development Plan which will facilitate professional growth opportunities and effectively meet state licensure requirements. Financial information can be obtained from Krista Hart, Treasurer of the Auglaize County Educational Service Center at 1045 Dearbaugh Drive, Wapakoneta, Ohio 45895.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**19. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**West Central Regional Professional Development Center (Center)** - The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities than are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a board made up of fifty-two representatives; one from each of the participating school districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information may be obtained by contacting Dorothy Oldham, Treasurer at the Hancock County Educational Service Center, 604 Lima Avenue, Findlay, Ohio 45840-3087.

**West Central Ohio Special Education Regional Resource Center (SERRC)** - The SERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organizations was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a board of 52 members which includes the superintendent from each participating school districts, and representatives from a non-public school and Wright State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board, Financial information can be obtained by contacting the Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

**20. GROUP PURCHASING POOL**

**Mercer Auglaize Benefit Trust** - The Mercer Auglaize Employee Benefit Trust (the Plan) is a public entity shared risk pool consisting of eight local school districts, two city school districts, one exempted village school district, and two educational service centers. The Plan is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides sick, accident and other benefits to the employees of the participating school districts. Each participating school district's superintendent is appointed to a Board of Trustees which advises the Trustee, Mid-American Bank, concerning aspects of the administration of the Trust.

Each school district decides which plans offered by the Board of Trustees will be extended to its employees. Participation in the Plan is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums. Financial information can be obtained from James Mauntler, who serves as consultant with Schmidt, Long, and Associates, at 4169 North Holland Sylvania Road, Suite 203, Building 3, Toledo, Ohio 43623.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**20. GROUP PURCHASING POOL (Continued)**

**Ohio School Boards Association Workers' Compensation Group Rating Plan** - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool. The Plan's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**21. SCHOOL FUNDING**

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. During the fiscal year ended June 30, 1999, the School District received \$1,353,463 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 Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the thorough and efficient clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of this date, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

**22. CONTINGENCIES**

**A. Grants:**

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

**B. Litigation:**

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

NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR YEAR ENDED JUNE 30, 2000

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
(Passed through Ohio Department of Education)						
Nutrition Cluster:						
Food Distribution Program		10.550	\$0	\$7,074	\$0	\$7,154
National School Lunch Program	045963 04-PU	10.555	11,592	0	11,592	0
Total U.S. Department of Agriculture - Nutrition Cluster			11,592	7,074	11,592	7,154
<b>OFFICE OF LIBRARY SERVICES, INSTITUTE OF MUSEUM AND LIBRARY SERVICES, NATIONAL FOUNDATION ON THE ARTS AND HUMANITIES</b>						
(Passed through State Library of Ohio)						
LSTA (Library) Grant Program	045963 98/99	45.310	4,892	0	6,018	0
	045963 9000	45.310	14,913	0	0	0
Total LSTA (Library) Grant Program			19,805	0	6,018	0
<b>U.S. DEPARTMENT OF EDUCATION</b>						
(Passed through Ohio Department of Education)						
Title VI-B, Special Education Grants to States	045963 6B-SF 2000 P	84.027	18,506	0	12,889	0
Title VI-B, Special Education Grants to States	045963 6B-SF 1999 P	84.027	12,930	0	6,230	0
Total Title VI-B			31,436	0	19,119	0
Title VI, Innovative Education Program Strategies	045963 C2-S1 2000	84.298	2,494	0	0	0
Title VI, Innovative Education Program Strategies	045963 C2-S1 1999	84.298	(65)	0	0	0
Title VI, Innovative Education Program Strategies	045963 C2-S1 1999 C	84.298	410	0	410	0
Total Title VI			2,839	0	410	0
Technology Literacy Challenge Fund	045963 TF 2000 P	84.318	225,000	0	315,421	0
Total U.S. Department of Education			259,275	0	334,950	0
<b>Total Federal Assistance</b>			<b>\$290,672</b>	<b>\$7,074</b>	<b>\$352,560</b>	<b>\$7,154</b>

See Notes to the Schedule of Federal Awards Expenditures

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**A. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards receipts and expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**B. FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the District had food commodities valued at \$2,782.

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

New Knoxville Local School District  
Auglaize County  
345 South Main Street  
New Knoxville, OH 45871-0476

To the Board of Education:

We have audited the financial statements of the New Knoxville Local School District, Auglaize County, (the District) as of and for the year ended June 30, 2000 and 1999, and have issued our report thereon dated January 25, 2001, in which we disclaimed any opinion on amounts reported in the General Fixed Asset Account Group as of June 30, 1999, due to insufficient evidential matter. Except as discussed in the preceding sentence, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings, as item 2000-10206-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 25, 2001.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2000-10206-002.

**Internal Control Over Financial Reporting  
(Continued)**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.. However, we consider item 2000-10206-002 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 25, 2001.

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

**Jim Petro**  
Auditor of State

January 25, 2001





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

New Knoxville Local School District  
Auglaize County  
345 South Main Street  
New Knoxville, OH 45871-0476

To the Board of Education:

**Compliance**

We have audited the compliance of New Knoxville Local School District, Auglaize County, (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

**Internal Control Over Compliance**

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

**Internal Control Over Compliance  
(Continued)**

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

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

**Jim Petro**  
Auditor of State

January 25, 2001

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY  
JUNE 30, 2000 AND JUNE 30, 1999**

**SCHEDULE OF FINDINGS (For the years ended June 30, 1999 and 2000)  
OMB CIRCULAR A -133 § .505 (For the year ended June 30, 2000)**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	June 30, 2000 - Unqualified June 30, 1999 - Qualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Technology Literacy Challenge Fund Grants CFDA# 84.318
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**JUNE 30, 2000 AND JUNE 30, 1999**

**SCHEDULE OF FINDINGS (For the years ended June 30, 1999 and 2000)  
OMB CIRCULAR A -133 § .505 (For the year ended June 30, 2000)  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2000-10206-001</b>	<b>Noncompliance</b>
-----------------------	-----------------------	----------------------

Ohio Rev. Code Section 5705.41(D), states that no subdivision or taxing authority shall make any contract or give any order involving the expenditure of money unless there is attached thereto, a certificate of the fiscal officer that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Contracts and orders for expenditures lacking certification should be considered null and void.

This section also provides an exception to this requirement. If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that these funds were properly appropriated and in the treasury or in the process of collection and such funds were free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000, the taxing authority must approve such payment within thirty days of the date of the fiscal officer's certification.

Certification of funds by the fiscal officer was not always obtained prior to incurring an obligation against the Treasury. Our test disclosed fifteen out of sixty expenditures, or 25%, that had not been certified by the fiscal officer and had not been encumbered until the time of payment. The exception noted above was not used for these transactions.

The Treasurer should complete the fiscal officer's certificate for each expenditure at the time the purchase is initiated. Failure to comply with this requirement can result in the School District obligating funds in excess of available appropriations.

<b>Finding Number</b>	<b>2000-10206-002</b>	<b>Material Weakness</b>
-----------------------	-----------------------	--------------------------

At the annual organizational meeting, the Board delegates the responsibility of purchasing agent to the superintendent, who is required to review and approve all expenditures up to \$3,000, which encompasses approximately 92% of expenditure transactions. Expenditures over \$3,000 are approved by the Board of Education. Our test of controls revealed that beyond automatic computer generated facsimile signatures on the purchase orders, there is no physical evidence, via initial or date, that the Superintendent is reviewing and/or approving the purchases. In addition, beyond automatic computer generated facsimile signatures of the Treasurer, there is no physical evidence that the Treasurer is certifying funds in accordance with Ohio Rev. Code Section 5705.41(D).

Without proper review, approval and certification of purchase obligations, the possibility exists for errors and/or irregularities to occur without being detected by personnel during the normal course of business.

The Superintendent (purchasing agent) and Treasurer should adhere to the delegated responsibility and statute which require the approval of the purchases by the superintendent, and the certification of funds available by the treasurer. This review and approval process should be accomplished by initialing and dating purchase orders, beside the automatic computer generated facsimile signature.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**JUNE 30, 2000 AND JUNE 30, 1999**

**SCHEDULE OF FINDINGS (For the years ended June 30, 1999 and 2000)  
OMB CIRCULAR A -133 § .505 (For the year ended June 30, 2000)  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**JUNE 30, 2000 AND JUNE 30, 1999**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain:</b></i>
1998-10206-001	The District's fixed asset listing was not updated, nor was the capitalization threshold being applied consistently.	No action taken to correct in FY99.	<p>In December of 1999 (FY00), the District had an appraisal completed. The appraisal reports included a capitalization report for items valued at \$500 or more, however the District did not appear to utilize this report as a base to record fixed asset values on their financial statements.</p> <p>Due to the immaterial amount of the variance, a management letter comment has been issued.</p>



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**NEW KNOXVILLE LOCAL SCHOOL DISTRICT**

**AUGLAIZE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 20, 2001**