



**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**REGULAR AUDIT/SINGLE AUDIT (FISCAL YEAR 00)**

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



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

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**STATE OF OHIO**



**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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ALLEN COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Spencerville Local School District  
Allen County  
600 School Street  
Spencerville, Ohio 45887

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Spencerville Local School District, Allen County, (the School 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 School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Spencerville Local School District, Allen County, as of June 30, 2000 and 1999, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust funds for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2001 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 School District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the June 30, 2000 general-purpose financial statements taken as a whole.

**Jim Petro**  
Auditor of State

February 21, 2001

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**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

|  | <b>Governmental Fund Types</b> |                            |                             |
|--|--------------------------------|----------------------------|-----------------------------|
|  | <b>General</b>                 | <b>Special<br/>Revenue</b> | <b>Capital<br/>Projects</b> |
| <b>ASSETS AND OTHER DEBITS</b>                                       |                                |                            |                             |
| Cash   | \$3,160,058                    | \$99,421                   | \$367,028                   |
| Receivables:   |                                |                            |                             |
| Taxes  | 1,618,708                      |                            | 100,109                     |
| Accounts   | 100                            |                            |                             |
| Intergovernmental  | 644                            |                            |                             |
| Interfund Receivable   | 55,916                         |                            | 200,000                     |
| Notes Receivable   |                                |                            |                             |
| Prepaid Items  | 6,366                          |                            |                             |
| Inventory  | 6,549                          |                            |                             |
| Restricted Assets:   |                                |                            |                             |
| Equity in pooled cash and cash equivalents                           | 88,458                         |                            |                             |
| Fixed Assets (Net, where applicable,<br>of Accumulated Depreciation) |                                |                            |                             |
| Amount to be Provided for Retirement of<br>General Long-Term Debt    |                                |                            |                             |
|  |                                |                            |                             |
| Total Assets and Other Debits  | <b>\$ 4,936,799</b>            | <b>\$ 99,421</b>           | <b>\$ 667,137</b>           |
| <b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>                    |                                |                            |                             |
| <b>Liabilities:</b>  |                                |                            |                             |
| Accounts Payable   | \$7,606                        | \$3,932                    |                             |
| Accrued Salaries and Benefits  | 543,095                        | 25,924                     |                             |
| Due to Students  |                                |                            |                             |
| Interfund Payable  |                                |                            | 255,916                     |
| Intergovernmental Payable  | 75,884                         | 2,964                      |                             |
| Compensated Absences Payable   |                                |                            |                             |
| Deferred Revenue   | 1,480,683                      |                            | 100,109                     |
| Notes Payable  |                                |                            |                             |
|  |                                |                            |                             |
| Total Liabilities  | <b>2,107,268</b>               | <b>32,820</b>              | <b>356,025</b>              |
| <b>Fund Equity and Other Credits:</b>                                |                                |                            |                             |
| Investment in General Fixed Assets                                   |                                |                            |                             |
| Retained Earnings  |                                |                            |                             |
| Fund Balance:  |                                |                            |                             |
| Reserved for Encumbrances  | 137,911                        | 12,915                     | 23,630                      |
| Reserve for Inventory  | 6,549                          |                            |                             |
| Reserved for Prepaid Items   | 6,366                          |                            |                             |
| Reserved for Taxes   | 138,024                        |                            |                             |
| Reserve for Notes Receivable   |                                |                            |                             |
| Reserved for Budget Stabilization                                    | 88,458                         |                            |                             |
| Designation for Budget Stabilization                                 | 27,446                         |                            |                             |
| Reserved for Trusts  |                                |                            |                             |
| Unreserved Fund Balance  | 2,424,777                      | 53,686                     | 287,482                     |
|  |                                |                            |                             |
| Total Fund Equity and Other Credits                                  | <b>2,829,531</b>               | <b>66,601</b>              | <b>311,112</b>              |
| Total Liabilities, Fund Equity<br>and Other Credits                  | <b>\$ 4,936,799</b>            | <b>\$ 99,421</b>           | <b>\$ 667,137</b>           |

*The accompanying notes are an integral part of the financial statements.*



| Proprietary<br>Fund Types | Fiduciary<br>Fund Types | Account Groups             |                          | Totals<br>(Memorandum<br>Only) |
|---------------------------|-------------------------|----------------------------|--------------------------|--------------------------------|
|                           |                         | General<br>Fixed<br>Assets | Long-Term<br>Obligations |                                |
| Enterprise                | Trust and<br>Agency     |                            |                          |                                |
| \$18,615                  | \$134,320               |                            |                          | \$3,779,442                    |
|                           |                         |                            |                          | 1,718,817                      |
| 743                       |                         |                            |                          | 843                            |
| 14,877                    |                         |                            |                          | 15,521                         |
|                           |                         |                            |                          | 255,916                        |
|                           | 5,675                   |                            |                          | 5,675                          |
|                           |                         |                            |                          | 6,366                          |
| 5,400                     |                         |                            |                          | 11,949                         |
|                           |                         |                            |                          | 88,458                         |
| 37,234                    |                         | 4,574,421                  |                          | 4,611,655                      |
|                           |                         |                            | 992,305                  | 992,305                        |
| <u>\$ 76,869</u>          | <u>\$ 139,995</u>       | <u>\$ 4,574,421</u>        | <u>\$ 992,305</u>        | <u>\$ 11,486,947</u>           |
|                           |                         |                            |                          | \$11,538                       |
| 16,921                    |                         |                            |                          | 585,940                        |
|                           | 31,463                  |                            |                          | 31,463                         |
|                           |                         |                            |                          | 255,916                        |
| 23,724                    |                         |                            | 47,632                   | 150,245                        |
| 21,883                    | 41                      |                            | 542,648                  | 564,531                        |
| 3,563                     |                         |                            |                          | 1,584,355                      |
|                           |                         |                            | 402,025                  | 402,025                        |
| <u>66,091</u>             | <u>31,504</u>           |                            | <u>992,305</u>           | <u>3,586,013</u>               |
|                           |                         | 4,574,421                  |                          | 4,574,421                      |
| 10,778                    |                         |                            |                          | 10,778                         |
|                           |                         |                            |                          | 174,456                        |
|                           |                         |                            |                          | 6,549                          |
|                           |                         |                            |                          | 6,366                          |
|                           |                         |                            |                          | 138,024                        |
|                           | 5,675                   |                            |                          | 5,675                          |
|                           |                         |                            |                          | 88,458                         |
|                           |                         |                            |                          | 27,446                         |
|                           | 96,134                  |                            |                          | 96,134                         |
|                           | 6,682                   |                            |                          | 2,772,627                      |
| <u>10,778</u>             | <u>108,491</u>          | <u>4,574,421</u>           | <u>0</u>                 | <u>7,900,934</u>               |
| <u>\$ 76,869</u>          | <u>\$ 139,995</u>       | <u>\$ 4,574,421</u>        | <u>\$ 992,305</u>        | <u>\$ 11,486,947</u>           |

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

|   | <u>Governmental Fund Types</u> |                            |                             | <u>Fiduciary<br/>Fund Type</u> | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|---|--------------------------------|----------------------------|-----------------------------|--------------------------------|---|
|   | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Capital<br/>Projects</u> | <u>Expendable<br/>Trust</u>    |   |
| <b>Revenues:</b>  |                                |                            |                             |                                |   |
| Taxes   | \$ 2,122,676                   |                            | \$ 97,286                   |                                | \$ 2,219,962                            |
| Tuition and Fees  | 11,804                         |                            |                             |                                | 11,804                                  |
| Intergovernmental   | 3,471,126                      | 283,320                    | 172,039                     |                                | 3,926,485                               |
| Interest  | 205,879                        | 5,232                      | 13,621                      |                                | 224,732                                 |
| Extracurricular Activities  |                                | 94,614                     |                             |                                | 94,614                                  |
| Gifts and Donations   | 11,900                         | 24,780                     |                             | 2,606                          | 39,286                                  |
| Customer Services   | 422                            |                            |                             |                                | 422                                     |
| Rent  | 250                            |                            |                             |                                | 250                                     |
| Miscellaneous   | 10,086                         |                            |                             | 2,300                          | 12,386                                  |
| <b>Total Revenues</b>   | <u>5,834,143</u>               | <u>407,946</u>             | <u>282,946</u>              | <u>4,906</u>                   | <u>6,529,941</u>                        |
| <b>Expenditures:</b>  |                                |                            |                             |                                |   |
| Current:  |                                |                            |                             |                                |   |
| Instruction:  |                                |                            |                             |                                |   |
| Regular   | 2,899,288                      | 21,212                     | 14,320                      | 3                              | 2,934,823                               |
| Special   | 154,882                        | 201,161                    |                             |                                | 356,043                                 |
| Vocational  | 65,013                         |                            |                             |                                | 65,013                                  |
| Other   | 119,374                        |                            |                             |                                | 119,374                                 |
| Support Services:   |                                |                            |                             |                                |   |
| Pupils  | 282,110                        | 27,065                     |                             |                                | 309,175                                 |
| Instruction   | 163,122                        | 17,314                     |                             |                                | 180,436                                 |
| Board of Education  | 16,605                         |                            |                             |                                | 16,605                                  |
| Administration  | 528,041                        | 8,788                      |                             |                                | 536,829                                 |
| Fiscal  | 201,101                        |                            | 1,839                       |                                | 202,940                                 |
| Business  | 255                            |                            |                             |                                | 255                                     |
| Operation and Maintenance   | 550,457                        | 1,570                      |                             |                                | 552,027                                 |
| Transportation  | 369,954                        |                            |                             |                                | 369,954                                 |
| Central Services  |                                | 5,873                      |                             |                                | 5,873                                   |
| Non-Instructional Services  |                                | 5,311                      |                             | 4,500                          | 9,811                                   |
| Extracurricular Activities  | 125,341                        | 103,563                    |                             |                                | 228,904                                 |
| Capital Outlay  | 70,963                         |                            | 343,319                     |                                | 414,282                                 |
| Debt Service:   |                                |                            |                             |                                |   |
| Principal   | 30,925                         |                            |                             |                                | 30,925                                  |
| Interest  | 19,413                         |                            |                             |                                | 19,413                                  |
| <b>Total Expenditures</b>   | <u>5,596,844</u>               | <u>391,857</u>             | <u>359,478</u>              | <u>4,503</u>                   | <u>6,352,682</u>                        |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures                                  | <u>237,299</u>                 | <u>16,089</u>              | <u>(76,532)</u>             | <u>403</u>                     | <u>177,259</u>                          |
| <b>Other Financing Sources (Uses):</b>  |                                |                            |                             |                                |   |
| Operating Transfers In  |                                | 5,069                      | 126,460                     |                                | 131,529                                 |
| Proceeds from Sale of Fixed Assets  | 1,004                          | 1,880                      |                             |                                | 2,884                                   |
| Operating Transfers Out   | (128,772)                      | (2,757)                    |                             |                                | (131,529)                               |
| Other   | 151                            |                            |                             |                                | 151                                     |
| <b>Total Other Financing Sources (Uses)</b>   | <u>(127,617)</u>               | <u>4,192</u>               | <u>126,460</u>              | <u>0</u>                       | <u>3,035</u>                            |
| Excess (Deficiency) of Revenues and Other Sources<br>Over (Under) Expenditures and Other Uses | 109,682                        | 20,281                     | 49,928                      | 403                            | 180,294                                 |
| Fund Balances (Deficits) at Beginning of Year   | <u>2,719,849</u>               | <u>46,320</u>              | <u>261,184</u>              | <u>15,065</u>                  | <u>3,042,418</u>                        |
| Fund Balances (Deficits) at End of Year   | <u>\$ 2,829,531</u>            | <u>\$ 66,601</u>           | <u>\$ 311,112</u>           | <u>\$ 15,468</u>               | <u>\$ 3,222,712</u>                     |

*The accompanying notes are an integral part of the financial statements.*

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**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

|  | General Fund        |                     | Governmental Fund Types                |                       |                  |  |
|--|---------------------|---------------------|--|-----------------------|------------------|--|
|  | Revised<br>Budget   | Actual              | Variance<br>Favorable<br>(Unfavorable) | Special Revenue Funds |                  | Variance<br>Favorable<br>(Unfavorable) |
|  |                     |                     |  | Revised<br>Budget     | Actual           |  |
| <b>Revenues:</b>   |                     |                     |  |                       |                  |  |
| Taxes  | \$ 2,062,000        | \$ 2,319,446        | \$ 257,446                             |                       |                  |  |
| Tuition and Fees   | 10,600              | 11,819              | 1,219                                  |                       |                  |  |
| Intergovernmental  | 3,465,634           | 3,471,746           | 6,112                                  | 283,320               | 283,320          |  |
| Interest   | 134,640             | 208,440             | 73,800                                 | 4,487                 | 5,232            | 745                                    |
| Rent   |                     | 250                 | 250                                    |                       |                  |  |
| Extracurricular Activities   |                     |                     |  | 94,623                | 94,614           | (9)                                    |
| Gifts and Donations  | 1,000               | 11,900              | 10,900                                 | 23,902                | 24,780           | 878                                    |
| Customer Services  | 1,000               | 422                 | (578)                                  |                       |                  |  |
| Miscellaneous  | 6,840               | 10,087              | 3,247                                  | 5,000                 |                  | (5,000)                                |
| <b>Total Revenues</b>  | <b>5,681,714</b>    | <b>6,034,110</b>    | <b>352,396</b>                         | <b>411,332</b>        | <b>407,946</b>   | <b>(3,386)</b>                         |
| <b>Expenditures:</b>   |                     |                     |  |                       |                  |  |
| Current:   |                     |                     |  |                       |                  |  |
| Instruction:   |                     |                     |  |                       |                  |  |
| Regular  | 2,991,305           | 2,907,310           | 83,995                                 | 33,768                | 24,557           | 9,211                                  |
| Special  | 169,347             | 153,652             | 15,695                                 | 208,346               | 199,761          | 8,585                                  |
| Vocational   | 74,803              | 64,355              | 10,448                                 |                       |                  |  |
| Adult/Continuing   | 319                 |                     | 319                                    |                       |                  |  |
| Other  | 214,800             | 137,301             | 77,499                                 |                       |                  |  |
| Support Services:  |                     |                     |  |                       |                  |  |
| Pupils   | 300,306             | 283,164             | 17,142                                 | 41,120                | 27,040           | 14,080                                 |
| Instruction  | 186,358             | 174,567             | 11,791                                 | 22,735                | 17,694           | 5,041                                  |
| Board of Education   | 38,054              | 17,342              | 20,712                                 |                       |                  |  |
| Administration   | 568,277             | 544,835             | 23,442                                 | 8,779                 | 8,779            |  |
| Fiscal   | 225,493             | 210,251             | 15,242                                 |                       |                  |  |
| Buisness   | 500                 | 255                 | 245                                    |                       |                  |  |
| Operation and Maintenance  | 649,297             | 570,959             | 78,338                                 | 2,500                 | 1,570            | 930                                    |
| Transportation   | 452,249             | 430,091             | 22,158                                 |                       |                  |  |
| Central Services   |                     |                     |  | 12,947                | 5,941            | 7,006                                  |
| Non-Instructional Services   |                     |                     |  | 14,000                | 5,891            | 8,109                                  |
| Extracurricular Activities   | 127,095             | 125,270             | 1,825                                  | 129,528               | 117,922          | 11,606                                 |
| Capital Outlay   | 73,537              | 72,420              | 1,117                                  |                       |                  |  |
| Debt Service   |                     |                     |  |                       |                  |  |
| Debt Service - Principal   | 30,925              | 30,925              |  |                       |                  |  |
| Debt Service - Interest  | 19,413              | 19,413              |  |                       |                  |  |
| <b>Total Expenditures</b>  | <b>6,122,078</b>    | <b>5,742,110</b>    | <b>379,968</b>                         | <b>473,723</b>        | <b>409,155</b>   | <b>64,568</b>                          |
| Excess (Deficiency) of Revenues Over<br>(Under) Expenditures                                     | <u>(440,364)</u>    | <u>292,000</u>      | <u>732,364</u>                         | <u>(62,391)</u>       | <u>(1,209)</u>   | <u>61,182</u>                          |
| <b>Other Financing Sources (Uses):</b>   |                     |                     |  |                       |                  |  |
| Operating Transfers In   | 20,000              |                     | (20,000)                               | 5,069                 | 5,069            |  |
| Proceeds from Sale of Fixed Assets   | 606                 | 1,004               | 398                                    | 1,800                 | 1,880            | 80                                     |
| Advances In  | 5,000               |                     | (5,000)                                |                       |                  |  |
| Refund of Prior Year Expenditures  | 1,500               | 2,621               | 1,121                                  | 1,243                 | 1,018            | (225)                                  |
| Other Financing Sources  | 100                 | 136                 | 36                                     |                       |                  |  |
| Operating Transfers Out  | (153,772)           | (128,772)           | 25,000                                 | (3,757)               | (2,757)          | 1,000                                  |
| Refund of Prior Year Receipts  | (1,000)             |                     | 1,000                                  |                       |                  |  |
| Advances Out   | (55,916)            | (55,916)            |  |                       |                  |  |
| Other Financing Uses   | (404,555)           |                     | 404,555                                |                       |                  |  |
| <b>Total Other Financing Sources (Uses)</b>  | <b>(588,037)</b>    | <b>(180,927)</b>    | <b>407,110</b>                         | <b>4,355</b>          | <b>5,210</b>     | <b>855</b>                             |
| Excess (Deficiency) of Revenues<br>and Other Sources Over (Under)<br>Expenditures and Other Uses | <u>(1,028,401)</u>  | <u>111,073</u>      | <u>1,139,474</u>                       | <u>(58,036)</u>       | <u>4,001</u>     | <u>62,037</u>                          |
| Fund Balances (Deficit) at Beginning of Year   | 2,690,094           | 2,690,094           |  | 69,088                | 69,088           |  |
| Prior Year Encumbrances Appropriated   | 301,833             | 301,833             |  | 9,483                 | 9,483            |  |
| <b>Fund Balances (Deficit) at End of Year</b>  | <b>\$ 1,963,526</b> | <b>\$ 3,103,000</b> | <b>\$ 1,139,474</b>                    | <b>\$ 20,535</b>      | <b>\$ 82,572</b> | <b>\$ 62,037</b>                       |

The accompanying notes are an integral part of the financial statements.

| Governmental Fund Types<br>Capital Projects Funds |                   |  | Fiduciary Fund Types<br>Expendable Trust Funds |                 |  |
|---|-------------------|--|--|-----------------|--|
| Revised<br>Budget                                 | Actual            | Variance<br>Favorable<br>(Unfavorable) | Revised<br>Budget                              | Actual          | Variance<br>Favorable<br>(Unfavorable) |
| \$ 93,150   | \$ 97,286         | \$ 4,136                               |  |                 |  |
| 519,071   | 172,039           | (347,032)                              |  |                 |  |
| 23,480  | 13,621            | (9,859)                                |  |                 |  |
|   |                   |  | 2,500  | 2,606           | 106                                    |
|   |                   |  | 1,800  | 1,915           | 115                                    |
| <u>635,701</u>                                    | <u>282,946</u>    | <u>(352,755)</u>                       | <u>4,300</u>                                   | <u>4,521</u>    | <u>221</u>                             |
| 14,320  | 14,320            |  |  |                 |  |
| 236   | 236               |  |  |                 |  |
| 500   |                   | 500                                    |  |                 |  |
| 2,000   | 1,839             | 161                                    |  |                 |  |
|   |                   |  | 10,800   | 7,000           | 3,800                                  |
| 811,825   | 472,249           | 339,576                                |  |                 |  |
| <u>828,881</u>                                    | <u>488,644</u>    | <u>340,237</u>                         | <u>10,800</u>                                  | <u>7,000</u>    | <u>3,800</u>                           |
| <u>(193,180)</u>                                  | <u>(205,698)</u>  | <u>(12,518)</u>                        | <u>(6,500)</u>                                 | <u>(2,479)</u>  | <u>4,021</u>                           |
| 226,460   | 126,460           | (100,000)                              |  |                 |  |
|   | 55,916            | 55,916                                 |  |                 |  |
| (400,000)   |                   | 400,000                                |  |                 |  |
| <u>(173,540)</u>                                  | <u>182,376</u>    | <u>355,916</u>                         |  |                 |  |
| (366,720)   | (23,322)          | 343,398                                | (6,500)  | (2,479)         | 4,021                                  |
| 178,246   | 178,246           |  | 9,563  | 9,563           |  |
| 188,474   | 188,474           |  | 250  | 250             |  |
| <u>\$ 0</u>                                       | <u>\$ 343,398</u> | <u>\$ 343,398</u>                      | <u>\$ 3,313</u>                                | <u>\$ 7,334</u> | <u>\$ 4,021</u>                        |

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

|  | <u>Proprietary Fund Types</u> |                             | <u>Fiduciary<br/>Fund Type</u> | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|--|-------------------------------|-----------------------------|--------------------------------|---|
|  | <u>Enterprise</u>             | <u>Internal<br/>Service</u> | <u>Nonexpendable<br/>Trust</u> |   |
| <b>Operating Revenues:</b>                                       |                               |                             |                                |   |
| Sales  | \$ 236,280                    | \$ 522                      |                                | \$ 236,802                              |
| Charges for Services   | 88                            |                             |                                | 88                                      |
| Other Revenues   | 459                           |                             |                                | 459                                     |
| Interest   |                               |                             | 4,961                          | 4,961                                   |
| Contributions and Donations                                      |                               |                             | 44,346                         | 44,346                                  |
| Total Operating Revenue  | <u>236,827</u>                | <u>522</u>                  | <u>49,307</u>                  | <u>286,656</u>                          |
| <b>Operating Expenses:</b>                                       |                               |                             |                                |   |
| Salaries   | 110,443                       |                             |                                | 110,443                                 |
| Fringe Benefits  | 64,960                        |                             |                                | 64,960                                  |
| Purchased Services   | 11,021                        |                             |                                | 11,021                                  |
| Materials and Supplies   | 177,002                       | 522                         |                                | 177,524                                 |
| Depreciation   | 2,294                         |                             |                                | 2,294                                   |
| Miscellaneous  | 665                           |                             | 7,375                          | 8,040                                   |
| Capital Outlay   | 5,776                         |                             |                                | 5,776                                   |
| Total Operating Expenses   | <u>372,161</u>                | <u>522</u>                  | <u>7,375</u>                   | <u>380,058</u>                          |
| Operating Income (Loss)  | <u>(135,334)</u>              |                             | <u>41,932</u>                  | <u>(93,402)</u>                         |
| <b>Non-Operating Revenues (Expenses):</b>                        |                               |                             |                                |   |
| Interest   | 1,623                         |                             |                                | 1,623                                   |
| Operating Grants   | 70,875                        |                             |                                | 70,875                                  |
| Federal Donated Commodities                                      | 25,032                        |                             |                                | 25,032                                  |
| Total Non-Operating<br>Revenues and (Expenses)                   | <u>97,530</u>                 |                             |                                | <u>97,530</u>                           |
| Net Income (Loss)  | <u>(37,804)</u>               |                             | <u>41,932</u>                  | <u>4,128</u>                            |
| Retained Earnings/Fund Balance<br>(Deficit) at Beginning of Year | <u>48,582</u>                 | <u>0</u>                    | <u>51,091</u>                  | <u>99,673</u>                           |
| Retained Earnings/Fund Balance<br>(Deficit) at End of Year       | <u>\$ 10,778</u>              | <u>\$ 0</u>                 | <u>\$ 93,023</u>               | <u>\$ 103,801</u>                       |

*The accompanying notes are an integral part of the financial statements.*

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

|  | <b>Proprietary Fund Types</b> |                             | <b>Fiduciary Fund</b>           | <b>Totals</b>                |
|--|-------------------------------|-----------------------------|---------------------------------|------------------------------|
|  | <b>Enterprise</b>             | <b>Internal<br/>Service</b> | <b>Non-Expendable<br/>Trust</b> | <b>(Memorandum<br/>Only)</b> |
| <b>Increase (Decrease) in Cash and Cash Equivalents:</b>   |                               |                             |                                 |                              |
| <b>Cash Flows from Operating Activities:</b>   |                               |                             |                                 |                              |
| Cash Received from Customers   | \$ 236,393                    | \$ 522                      | \$ 44,346                       | \$ 281,261                   |
| Cash Payments to Suppliers for Goods and Services  | (169,973)                     | (522)                       | (7,375)                         | (177,870)                    |
| Cash Payments to Employees for Services  | (102,280)                     |                             |                                 | (102,280)                    |
| Cash Payments for Employee Benefits  | (61,576)                      |                             |                                 | (61,576)                     |
| Net Cash Provided by (Used for) Operating Activities   | (97,436)                      |                             | 36,971                          | (60,465)                     |
| <b>Cash Flows from Noncapital Financing Activities:</b>  |                               |                             |                                 |                              |
| Operating Grants Received  | 74,074                        |                             |                                 | 74,074                       |
| <b>Cash Flows from Capital and Related Financing Activities:</b>   |                               |                             |                                 |                              |
| Acquisition of Capital Assets  | (5,776)                       |                             |                                 | (5,776)                      |
| <b>Cash Flows from Investing Activities:</b>   |                               |                             |                                 |                              |
| Interest   | 1,623                         |                             | 4,961                           | 6,584                        |
| Net Increase (Decrease) in Cash and Cash Equivalents   | (27,515)                      |                             | 41,932                          | 14,417                       |
| Cash and Cash Equivalents at Beginning of Year   | 46,130                        |                             | 51,091                          | 97,221                       |
| Cash and Cash Equivalents at End of Year   | \$ 18,615                     |                             | \$ 93,023                       | \$ 111,638                   |
| <b>Reconciliation of Operating Income (Loss) to Net<br/>Cash Provided by (Used for) Operating Activities:</b>        |                               |                             |                                 |                              |
| Operating Income (Loss)  | \$ (135,334)                  |                             | \$ 41,932                       | \$ (93,402)                  |
| <b>Adjustments to Reconcile Operating Income (Loss)<br/>to Net Cash Provided by (Used for) Operating Activities:</b> |                               |                             |                                 |                              |
| Depreciation   | 2,294                         |                             |                                 | 2,294                        |
| Donated Commodities Used During Year   | 25,032                        |                             |                                 | 25,032                       |
| Nonexpendable Trust Fund Interest  |                               |                             | (4,961)                         | (4,961)                      |
| Changes in Assets and Liabilities:   |                               |                             |                                 |                              |
| (Increase)/Decrease in Accounts Receivable   | (435)                         |                             |                                 | (435)                        |
| (Increase)/Decrease in Commodities Inventory   | (2,190)                       |                             |                                 | (2,190)                      |
| Increase/(Decrease) in Deferred Revenue  | 1,650                         |                             |                                 | 1,650                        |
| Increase/(Decrease) in Accrued Salaries and Benefits   | (1,110)                       |                             |                                 | (1,110)                      |
| Increase/(Decrease) in Intergovernmental Payables  | 11,910                        |                             |                                 | 11,910                       |
| Increase/(Decrease) in Compensated Absences Payable  | 747                           |                             |                                 | 747                          |
| Increase/(Decrease) in Accounts Payable  |                               |                             |                                 |                              |
| Total Adjustments  | 37,898                        |                             | (4,961)                         | 32,937                       |
| Net Cash Provided by Operating Activities  | \$ (97,436)                   | \$ 0                        | \$ 36,971                       | \$ (60,465)                  |
| <b>Reconciliation of Trust and Agency Funds:</b>   |                               |                             |                                 |                              |
| Cash and Cash Equivalents - All Fiduciary and Agency Funds   |                               | \$134,320                   |                                 |                              |
| Less: Cash and Cash Equivalents - Expendable Trust and Agency Funds  |                               | (\$41,297)                  |                                 |                              |
| Cash and Cash Equivalents - Non Expendable Trust Fund  |                               | \$93,023                    |                                 |                              |

*The accompanying notes are an integral part of the financial statements.*

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

|  | Enterprise Funds  |                 | Proprietary Fund Types                 |                        |             |  |
|--|-------------------|-----------------|--|------------------------|-------------|--|
|  | Revised<br>Budget | Actual          | Variance<br>Favorable<br>(Unfavorable) | Internal Service Funds |             |  |
|  |                   |                 |  | Revised<br>Budget      | Actual      | Variance<br>Favorable<br>(Unfavorable) |
| <b>Revenues:</b>   |                   |                 |  |                        |             |  |
| Sales  | \$ 242,700        | \$ 236,305      | \$ (6,395)                             | \$ 1,000               | \$ 522      | \$ (478)                               |
| Charges for Services                                     | 100               | 88              | (12)                                   |                        |             |  |
| Federal and State Subsidies                              | 70,140            | 74,075          | 3,935                                  |                        |             |  |
| Contributions and Donations                              |                   |                 |  |                        |             |  |
| Interest   | 1,300             | 1,623           | 323                                    |                        |             |  |
| Refund of Prior Year Expense                             | 100               |                 | (100)                                  |                        |             |  |
| <b>Total Revenues</b>                                    | <u>314,340</u>    | <u>312,091</u>  | <u>(2,249)</u>                         | <u>1,000</u>           | <u>522</u>  | <u>(478)</u>                           |
| <b>Expenses:</b>   |                   |                 |  |                        |             |  |
| Salaries   | 102,292           | 102,280         | 12                                     |                        |             |  |
| Fringe Benefits  | 67,453            | 67,221          | 232                                    |                        |             |  |
| Purchased Services                                       | 11,334            | 11,040          | 294                                    |                        |             |  |
| Materials and Supplies                                   | 168,654           | 165,469         | 3,185                                  | 1,000                  | 522         | 478                                    |
| Other  | 741               | 665             | 76                                     |                        |             |  |
| Capital Outlay   | 5,776             | 5,776           |  |                        |             |  |
| <b>Total Expenses</b>                                    | <u>356,250</u>    | <u>352,451</u>  | <u>3,799</u>                           | <u>1,000</u>           | <u>522</u>  | <u>478</u>                             |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenses | (41,910)          | (40,360)        | 1,550                                  |                        |             |  |
| Fund Balance (Deficit) at<br>Beginning of Year           | 34,489            | 34,489          |  |                        |             |  |
| Prior Year Encumbrances                                  | 11,639            | 11,639          |  |                        |             |  |
| Fund Balance (Deficit) at<br>End of Year                 | <u>\$ 4,218</u>   | <u>\$ 5,768</u> | <u>\$ 1,550</u>                        | <u>\$ 0</u>            | <u>\$ 0</u> | <u>\$ 0</u>                            |

*The accompanying notes are an integral part of the financial statements.*



| <b>Non-Expendable Trust</b> |                  |   |
|-----------------------------|------------------|---|
| <b>Revised<br/>Budget</b>   | <b>Actual</b>    | <b>Variance<br/>Favorable<br/>(Unfavorable)</b> |
| 44,000                      | 44,346           | 346   |
| 5,000                       | 4,961            | (39)  |
| <u>49,000</u>               | <u>49,307</u>    | <u>307</u>                                      |
| 7,625                       | 7,375            | 250   |
| <u>7,625</u>                | <u>7,375</u>     | <u>250</u>                                      |
| 41,375                      | 41,932           | 557   |
| 48,466                      | 48,466           |   |
| <u>2,625</u>                | <u>2,625</u>     |   |
| <u>\$ 92,466</u>            | <u>\$ 93,023</u> | <u>\$ 557</u>                                   |

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**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN 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**

Spencerville Local 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 is located in Allen County. The School District is the 480th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 36 non-certificated employees and 74 certificated full-time teaching personnel who provide services to 1,045 students and other community members. The School District currently operates 2 elementary schools, 1 middle school, and 1 high school.

The reporting entity is comprised 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 Spencerville Local School District, this includes general operations, food service, and student related activities of the School District.

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

The School District is associated with four jointly governed organizations and two insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, Apollo Career Center, the West Central Regional Professional Development Center, the West Central Ohio Special Education Regional Resource Center, the Allen County Schools Health Benefit Plan, and the Northwest Ohio Area Computer Services Cooperative Workmens' Compensation Group Rating Plan. These organizations are presented in Notes 19 and 20 to the general purpose financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

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

**A. Basis Of Presentation - Fund Accounting**

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

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

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

**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 used 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.

**Capital Projects Funds** - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or 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 are the School District's proprietary fund types:

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

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

**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.

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

**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 governmental units, and/or other funds. The School District's fiduciary funds include expendable trust, nonexpendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. 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 those accounted for in the proprietary or trust funds.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types 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.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

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

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. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental, 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: taxpayer-assessed income taxes, 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, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

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

**C. Budgetary Process**

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

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

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

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.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**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 Allen 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 County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 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. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

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

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN 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 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 monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**5. Lapsing of Appropriations**

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

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet. During fiscal year 2000, investments were limited to interest in STAR Ohio. Investments are stated at cost or amortized cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 1998. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to Pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2000.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2000 amounted to \$205,879, which includes \$ 7,470 assigned from other School District funds.

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



**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

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

**E. Inventory**

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

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**G. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Department of Education. During fiscal year 2000, the District received a \$ 1,041 refund from the Bureau of Workers Compensation which State statute required to be included in this reserve. This refund is presented as "other revenue" in the accompanying financial statements. A fund balance reserve has also been established.

**H. Fixed Assets and Depreciation**

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

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

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

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

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

**I. Intergovernmental Revenues**

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

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

**Entitlements**

**General Fund**

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

**Special Revenue**

- Instructional Materials & Textbook Subsidy

**Non-Reimbursable Grants**

**Special Revenue Funds**

- Education Management Information Systems
- Schoolnet Professional Development
- Title I
- Title VI
- Title VI-B
- Drug-Free Schools
- Dwight D. Eisenhower Grant
- Professional Development Block Grant

**Capital Projects**

- School Net Plus
- Technology Equity

**Reimbursable Grants**

**General Fund**

- Driver Education

**Proprietary Funds**

- National School Lunch Program
- Government Donated Commodities

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

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

**J. Compensated Absences**

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

**K. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits 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, capital leases, and long-term loans 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.

**L. Interfund Transactions**

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

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

**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 could differ from those estimates.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

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

**N. Fund Balance Reserves and Designations**

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, prepaid items, taxes, notes receivable, budget stabilization, and contributions to the nonexpendable trust fund that must be kept intact. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations 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 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 revenues set-aside for budget stabilization that exceeded the statutorily required amount.

**O. 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 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. ACCOUNTABILITY**

At June 30, 2000, there were several special revenue funds that had deficit fund balances and a capital projects fund with a deficit fund balance. The deficits in the special revenue and capital projects funds resulted from the application of generally accepted accounting principles. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

| <b>FUND</b>             | <b>FUND DESCRIPTION</b>             | <b>DEFICIT BALANCE</b> |
|-------------------------|-------------------------------------|------------------------|
| <b>Special Revenue</b>  |                                     |                        |
| 416                     | Local Professional Development Fund | \$16                   |
| 459                     | Ohio Reads Grant Fund               | 137                    |
| 572                     | Title 1 Fund                        | 18,450                 |
| <b>Capital Projects</b> |                                     |                        |
| 497                     | Emergency Repair Grant Fund         | 78,109                 |
| 10                      | ADA Grant                           | 45,703                 |
| 420                     | Vocational Education Equipment Fund | 236                    |

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN 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 balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types and Expendable Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - (All) Proprietary Fund Types and Non Expendable Trust Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

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

| <u>Governmental and<br/>Similar Trust Funds</u> | <u>General</u>     | <u>Special<br/>Revenue</u> | <u>Capital<br/>Projects</u> | <u>Expendable<br/>Trust</u> |
|---|--------------------|----------------------------|-----------------------------|-----------------------------|
| GAAP basis - fund balance                       | \$2,829,531        | \$66,601                   | \$311,112                   | \$15,468                    |
| Revenue accruals                                | (1,681,917)        | 0                          | (100,110)                   | (5,675)                     |
| Expenditure accruals                            | 2,107,268          | 32,819                     | 156,025                     | 41                          |
| Prepaid items                                   | (6,366)            | 0                          | 0                           | 0                           |
| Encumbrances                                    | <u>(145,516)</u>   | <u>(16,848)</u>            | <u>(23,629)</u>             | <u>(2,500)</u>              |
| Budget basis - fund balance                     | <u>\$3,103,000</u> | <u>\$82,572</u>            | <u>\$343,398</u>            | <u>\$ 7,334</u>             |

| <u>Proprietary and<br/>Similar Trust Funds</u> | <u>Enterprise</u> | <u>Non-Expendable<br/>Trust</u> |
|--|-------------------|---------------------------------|
| GAAP basis - fund balance                      | \$10,778          | \$93,023                        |
| Revenue accrual                                | (40,652)          | 0                               |
| Expense accrual                                | 53,889            | 0                               |
| Inventory held for resale                      | (5,400)           | 0                               |
| Encumbrances                                   | <u>(12,847)</u>   | <u>0</u>                        |
| Budget basis - fund balance                    | <u>\$ 5,768</u>   | <u>\$93,023</u>                 |

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

**5. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States Treasury notes, bills, bonds, or other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio).

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

**Deposits** - At fiscal year end, the carrying amount of the School District's deposits was \$9,211 and the bank balance was \$249,137. Of the bank balance, \$105,100 was covered by federal depository insurance. \$144,037 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**Investments** - The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. The School District's investments consist solely of STAR Ohio, an investment pool operated by the Ohio State Treasurer. These are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

|           | <u>Carrying Value</u> | <u>Fair Value</u> |
|-----------|-----------------------|-------------------|
| STAR Ohio | \$3,858,689           | \$3,858,689       |

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

|                  | <u>Cash and Cash<br/>Equivalents/Deposits</u> | <u>Investments</u> |
|------------------|---|--------------------|
| GASB Statement 9 | \$3,867,900                                   | \$ 0               |
| Investments:     |   |                    |
| STAR Ohio        | <u>(3,858,689)</u>                            | <u>3,858,689</u>   |
| GASB Statement 3 | <u>\$ 9,211</u>                               | <u>\$3,858,689</u> |

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

**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 year. Tangible personal property assessments are 25 percent of true value.

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 Allen, Auglaize, and Van Wert Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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, tangible personal property, and public utility taxes which became 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 \$138,024, and the amount available at June 30, 1999 was \$76,272.

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

|   | 1999 Second-Half<br>Collections |                | 2000 First-Half<br>Collections |                |
|---|---------------------------------|----------------|--------------------------------|----------------|
|   | <u>Amount</u>                   | <u>Percent</u> | <u>Amount</u>                  | <u>Percent</u> |
| Agricultural/Residential<br>and Other Real Estate | \$55,024,120                    | 85.12%         | \$59,054,260                   | 85.26%         |
| Public Utility                                    | 5,297,584                       | 8.19           | 5,378,325                      | 7.77           |
| Tangible Personal Property                        | <u>4,324,510</u>                | <u>6.69</u>    | <u>4,827,980</u>               | <u>6.97</u>    |
| Total Assessed Value                              | <u>\$64,646,214</u>             | <u>100.00%</u> | <u>\$69,260,565</u>            | <u>100.00%</u> |
| Tax rate per \$1,000 of<br>assessed valuation     | \$34.87                         |                | \$34.87                        |                |



**SPENCERVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**7. INCOME TAX**

The School District renewed a tax levy of one percent for general operations on the income of residents and of estates. The renewed tax was effective on January 1, 1998, and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**8. RECEIVABLES**

Receivables at June 30, 2000, consisted of both property and income taxes, accounts (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 fiscal year guarantee of federal funds.

**9. NOTES RECEIVABLE**

The Diesel Scholarship Fund was established on November 7, 1967 through a trust agreement. Qualified students may borrow amounts determined yearly dependent on the ability of the fund to pay for the costs of higher education. Repayments begin after termination of college attendance.

At the close of fiscal year 2000, there were 10 students with a total principal balance of \$11,825. Of the balance, \$5,675 is being recorded on the financial statements because the remaining \$6,150 is deferred until the student completes or leaves post secondary schooling.

**10. FIXED ASSETS**

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

|                               |                  |
|-------------------------------|------------------|
| Furniture and Equipment       | \$120,978        |
| Less Accumulated Depreciation | <u>(83,744)</u>  |
| Net Fixed Assets              | <u>\$ 37,234</u> |

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

| <u>Asset Category</u>              | <u>Balance at<br/>6/30/99</u> | <u>Additions</u>  | <u>Disposals</u>  | <u>Balance at<br/>6/30/00</u> |
|------------------------------------|-------------------------------|-------------------|-------------------|-------------------------------|
| Land and Land Improvements         | \$ 391,448                    | \$ 86,698         | 0                 | \$478,146                     |
| Buildings and Improvements         | 1,606,533                     | 419,695           | 0                 | 2,026,228                     |
| Furniture, Fixtures, and Equipment | 1,297,737                     | 178,318           | (1,404)           | 1,474,651                     |
| Vehicles                           | <u>572,274</u>                | <u>74,733</u>     | <u>(51,611)</u>   | <u>595,396</u>                |
| Total                              | <u>\$3,867,992</u>            | <u>\$ 759,444</u> | <u>\$(53,015)</u> | <u>\$4,574,421</u>            |

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

**11. RISK MANAGEMENT**

**A. Public Liability**

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 Indiana Insurance for property and general liability insurance, and boiler and machinery insurance. Boiler and machinery coverage has \$1,000 deductible per object. Professional liability is protected by Nationwide Insurance Company with \$1,000,000 each occurrence, \$5,000,000 aggregate limit, plus an additional \$1,000,000 is covered under another commercial umbrella liability policy.

Vehicles are covered by Wausau Insurance Company and hold a \$50 deductible for comprehensive and \$250 for collisions. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years.

Public officials bond insurance is provided by the Mueller-Paulus-Homan Insurance Company for a total of \$60,000. The School District has a \$2,500 dishonesty bond covering all employees who handle money. The dishonesty bond is provided by O'Connor McLaughlin Insurance Company.

The School District pays the State's Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**B. Worker's Compensation**

For fiscal year 2000, the School District participated in the Northwest Ohio Area Computer Services Cooperative Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP.

**C. Employee Medical Benefits**

The School District participates in the Allen County Schools Health Benefit Plan (Note 20), a public entity shared risk pool consisting of the school districts within Allen County. The School District pays monthly premiums to the Plan for employee medical and dental benefits. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

**12. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the Spencerville Local School District is required to contribute 14 percent; 5.5 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$43,423, \$56,026, and \$65,156, respectively; 40.73 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$ 25,735, representing the unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The Spencerville Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides 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.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Spencerville Local School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$169,662, \$159,504, and \$265,540, respectively; 83.49 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$ 28,003 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, two members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

**13. POSTEMPLOYMENT BENEFITS**

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

For STRS, all benefit recipients are required to pay a portion of 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. The board currently allocates employer contributions equal to eight percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$ 226,216 during the 2000 fiscal year. As of July 1, 1999, eligible benefit recipients totaled 95,796. For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000.

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.

For this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the School District, the amount to fund monthly care benefits, including surcharge, equaled \$ 91,168 during the 2000 fiscal year. The number of participants currently receiving health care benefits is 51,000. For the fiscal year ended June 30, 1999, net health care costs paid by SERS 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.

**14. EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month which is 15 day annually. For administrators, teachers, and classified employees, such days shall accumulate equal to 200 days. Vested sick leave is accumulated and, if unused, is paid upon retirement at the rate of one-fourth of the accumulated sick leave when an employee has 10 years with the School District. Administrative, classified, and certified employees are limited to a maximum of 50 paid days.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

**14. EMPLOYEE BENEFITS (Continued)**

**B. Life Insurance**

The School District provides \$40,000 in life insurance and accidental death and dismemberment insurance to its full time employees through CoreSource, Inc. All employees with half time positions but less than full time receive a percentage of life insurance and accidental death and dismemberment insurance. The Superintendent, Treasurer, and Principals receive \$50,000 in life insurance and accidental death and dismemberment insurance.

**C. Health Care Benefits**

The School District has elected to provide employee medical/surgical and dental benefits through the Allen County Schools Health Benefit Plan. The employees share the cost of the monthly premium with the Board. The premium varies with employees depending on the terms of the union contract. Life insurance is provided through CoreSource. The School District also contributes to a Flexible Health Benefit Spending Account for each employee for medical expenses not covered by other health insurance.

**15. OPERATING LEASES**

The District is obligated under various operating lease agreements with Perry Corporation for copiers. These agreements do not give rise to property rights and are not reflected in the School's account group. The minimum requirement of the lease is 2,000,000 copies in each 12 month period at \$.010 per copy, and a total of 12,000,000 copies per lease. The District is also obligated under a operating lease agreement for a vehicle. The future rental payments are as follows:

| <u>Year Ending<br/>June 30,</u> | <u>Copier Lease<br/>Amounts</u> | <u>Vehicle Lease<br/>Amounts</u> |
|---------------------------------|---------------------------------|----------------------------------|
| 2001                            | \$ 20,000                       | \$ 2,342                         |
| 2002                            | <u>5,000</u>                    | <u>390</u>                       |
| Total                           | <u>\$ 25,000</u>                | <u>\$ 2,732</u>                  |

**16. LONG-TERM OBLIGATIONS**

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

|  | <u>Principal<br/>Outstanding<br/>6/30/99</u> | <u>Additions</u> | <u>Deductions</u> | <u>Principal<br/>Outstanding<br/>6/30/00</u> |
|--|--|------------------|-------------------|--|
| Note Payable; HB 264 Project; 4.65% interest; Matures 12/01/12 | \$ 432,951                                   | \$0              | \$30,926          | \$ 402,025                                   |
| Compensated Absences   | 509,954                                      | 101,323          | 68,629            | 542,648                                      |
| Intergovernmental Payables                                     | <u>58,495</u>                                | <u>47,632</u>    | <u>58,495</u>     | <u>47,632</u>                                |
| Total General Long-Term Obligations                            | <u>\$1,001,400</u>                           | <u>\$148,955</u> | <u>\$158,050</u>  | <u>\$ 992,305</u>                            |

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

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

Compensated absences and intergovernmental payables will be paid from the fund which the employers salary is paid. The change in compensated absences is presented net because it is not practical to determine the actual increase and decrease.

On February 2, 1998, the District issued \$463,876 in energy conservation improvement notes in accordance with House Bill 264. The notes were issued to finance modification, installation and remodeling of school buildings for the purpose of reducing energy consumption and thereby reducing current expenses of the District. The notes were issued for a period of fifteen years with final maturity on December 1, 2012. The notes will be retired from the General Fund.

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

| <u>Fiscal Year<br/>Ending June 30</u> | <u>Principal</u> | <u>Interest</u>  | <u>Total</u>     |
|---------------------------------------|------------------|------------------|------------------|
| 2001                                  | \$ 30,925        | \$ 17,975        | \$ 48,900        |
| 2002                                  | 30,925           | 16,537           | 47,462           |
| 2003                                  | 30,925           | 15,099           | 46,024           |
| 2004-2008                             | 154,626          | 53,926           | 208,552          |
| 2009-2013                             | <u>154,624</u>   | <u>17,976</u>    | <u>172,600</u>   |
| Total                                 | <u>\$402,025</u> | <u>\$121,513</u> | <u>\$523,538</u> |

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

|  | <u>Food<br/>Service</u> | <u>Uniform<br/>School<br/>Supplies</u> | <u>Total<br/>Enterprise<br/>Funds</u> |
|--|-------------------------|--|---------------------------------------|
| Operating Revenues                           | \$213,538               | \$23,289                               | \$236,827                             |
| Operating Expenses                           |                         |  |                                       |
| Less Depreciation                            | 334,868                 | 34,999                                 | 369,867                               |
| Depreciation Expense                         | 2,294                   | 0                                      | 2,294                                 |
| Operating Income (Loss)                      | (123,624)               | (11,710)                               | (135,334)                             |
| Donated Commodities                          | 25,032                  | 0                                      | 25,032                                |
| Operating Grants                             | 70,875                  | 0                                      | 70,875                                |
| Interest                                     | 1,623                   | 0                                      | 1,623                                 |
| Net Income (Loss)                            | (26,094)                | (11,710)                               | (37,804)                              |
| Net Working Capital                          | (32,438)                | 5,982                                  | (26,456)                              |
| Total Assets                                 | 70,887                  | 5,982                                  | 76,869                                |
| Total Equity                                 | 4,796                   | 5,982                                  | 10,778                                |
| Encumbrances Outstanding<br>at June 30, 2000 | \$ 5,664                | \$ 7,183                               | \$ 12,847                             |

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

**18. CONTRACTUAL OBLIGATIONS**

As of June 30, 2000, the School District had the following contractual obligations:

| <u>Company</u>   | <u>Project</u>      | <u>Amount Remaining<br/>On Contract</u> |
|------------------|---------------------|---|
| Sparta Electric  | Electrical Work     | \$21,728                                |
| Bluebird Bus     | Bus                 | 16,373                                  |
| Buckeye Truck    | Bus Chassis         | 34,055                                  |
| Blacktop Sealing | Sealing Parking Lot | 15,927                                  |

**19. JOINTLY GOVERNED ORGANIZATIONS**

**Northwest Ohio Area Computer Services Cooperative** - The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties and Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. Financial information can be obtained from Michael Wildermuth, who serves as Director, at 645 South Main Street, Lima, Ohio 45804.

**The Apollo Joint Vocational School** is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Apollo Joint Vocational School, Greg Bukowski, who serves as Treasurer, at 3325 Shawnee Road, Lima, Ohio 45806.

**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 that are tied directly to school improvement and, in particular, to improvements in instructional programs.

The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Brad Browne, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

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

**West Central Ohio Special Education Regional Resource Center (SERRC)**- The SERRC is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Krista Hart, Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

**20. INSURANCE POOLS**

**Allen County Schools Health Benefit Plan** - The School District participates in the Allen County Schools Health Benefit Plan (the Program), a public entity shared risk pool consisting of the school districts within Allen county. The Program 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, CoreSource, concerning aspects of the administration of the Trust.

Each school district decides which plans offered the Board of Trustees will be extended to its employees. Participation in the Program is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums. Financial information can be obtained from Don Smith, who serves as Chairman, at 204 North Main Street, Lima, Ohio 45801.

**Northwest Ohio Area Computer Service Cooperative Worker's Compensation Group Rating Program** - The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The NOACSC Workers' Compensation Group Rating Plan (the Plan) was established through the Northwest Ohio Area Computer Services Cooperative (NOACSC) as an insurance purchasing pool. The Safety Coordinator, Robert Lotz, of NOACSC, or his designee, serves as coordinator of the Plan. Each year, the participating members pay an enrollment fee to the Plan to cover the costs of administering the program.

**21. STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the 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 \$3,281,230 of school foundation support for its general fund.



**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

**21. STATE SCHOOL FUNDING DECISION (Continued)**

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

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

**22. 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 and carried forward to be used for the same purpose 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.

|   | Budget<br>Stabilization<br>Reserve | Capital<br>Improvements<br>Reserve | Textbooks/<br>Instructional<br>Materials<br>Reserve |
|---|------------------------------------|------------------------------------|---|
| Set-aside Reserve Balance as of June 30, 1998         | \$61,643                           | \$ 0                               | \$ 0  |
| Current Year Set-aside Requirement                    | 46,915                             | 137,620                            | 137,620   |
| Current Year Offsets                                  | (20,100)                           | 0                                  | 0   |
| Qualifying Disbursements                              | <u>0</u>                           | <u>(137,975)</u>                   | <u>(290,494)</u>                                    |
| Total   | <u>\$88,458</u>                    | <u>\$ (355)</u>                    | <u>\$(152,874)</u>                                  |
| Set-aside Balance Carried Forward to Fiscal Year 2000 | <u>\$88,458</u>                    | <u>\$ 0</u>                        | <u>\$(152,874)</u>                                  |
| Set-aside Reserve Balance as of June 30, 2000         | <u>\$88,458</u>                    | <u>\$ 0</u>                        | <u>\$ 0</u>   |

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

**22. SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)**

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement in future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$88,458.

**23. CONTINGENCIES**

**Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

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**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

|  | <b>Governmental Fund Types</b> |                            |                             |
|--|--------------------------------|----------------------------|-----------------------------|
|  | <b>General</b>                 | <b>Special<br/>Revenue</b> | <b>Capital<br/>Projects</b> |
| <b>ASSETS AND OTHER DEBITS</b>                                       |                                |                            |                             |
| Cash   | \$2,930,284                    | \$78,572                   | \$366,720                   |
| Receivables:   |                                |                            |                             |
| Taxes  | 1,547,848                      |                            | 98,074                      |
| Accounts   | 101                            |                            |                             |
| Intergovernmental  | 1,264                          |                            |                             |
| Interfund Receivable   |                                |                            | 200,000                     |
| Accrued Interest   | 2,561                          |                            |                             |
| Notes Receivable   |                                |                            |                             |
| Prepaid Items  | 5,715                          |                            |                             |
| Inventory  | 2,732                          |                            |                             |
| Restricted Assets:   |                                |                            |                             |
| Equity in pooled cash and cash equivalents                           | 61,643                         |                            |                             |
| Fixed Assets (Net, where applicable,<br>of Accumulated Depreciation) |                                |                            |                             |
| Amount to be Provided for Retirement of<br>General Long-Term Debt    |                                |                            |                             |
| Total Assets and Other Debits  | \$4,552,148                    | \$78,572                   | \$664,794                   |
| <b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>                    |                                |                            |                             |
| <b>Liabilities:</b>  |                                |                            |                             |
| Accounts Payable   |                                | \$5,366                    |                             |
| Accrued Salaries and Benefits  | 549,862                        | 24,838                     |                             |
| Due to Students  |                                |                            |                             |
| Interfund Payable  |                                |                            | 200,000                     |
| Contracts Payable  |                                |                            | 105,536                     |
| Intergovernmental Payable  | 69,383                         | 2,048                      |                             |
| Compensated Absences Payable   |                                |                            |                             |
| Deferred Revenue   | 1,213,054                      |                            | 98,074                      |
| Notes Payable  |                                |                            |                             |
| Total Liabilities  | 1,832,299                      | 32,252                     | 403,610                     |
| <b>Fund Equity and Other Credits:</b>                                |                                |                            |                             |
| Investment in General Fixed Assets                                   |                                |                            |                             |
| Retained Earnings  |                                |                            |                             |
| Fund Balance:  |                                |                            |                             |
| Reserved for Encumbrances  | 301,832                        | 4,117                      | 73,438                      |
| Reserve for Inventory  | 2,732                          |                            |                             |
| Reserved for Prepaid Items   | 5,715                          |                            |                             |
| Reserved for Taxes   | 76,272                         |                            |                             |
| Reserve for Notes Receivable   |                                |                            |                             |
| Reserved for Budget Stabilization                                    | 61,643                         |                            |                             |
| Reserved for Trust   |                                |                            |                             |
| Designation for Budget Stabilization                                 | 1,625                          |                            |                             |
| Unreserved Fund Balance  | 2,270,030                      | 42,203                     | 187,746                     |
| Total Fund Equity and Other Credits                                  | 2,719,849                      | 46,320                     | 261,184                     |
| Total Liabilities, Fund Equity<br>and Other Credits                  | \$4,552,148                    | \$78,572                   | \$664,794                   |

*The accompanying notes are an integral part of the financial statements.*

| Proprietary<br>Fund Types | Fiduciary<br>Fund Types | Account Groups             |                                     | Totals<br>(Memorandum<br>Only) |
|---------------------------|-------------------------|----------------------------|-------------------------------------|--------------------------------|
|                           |                         | General<br>Fixed<br>Assets | General<br>Long-Term<br>Obligations |                                |
| Enterprise                | Trust and<br>Agency     |                            |                                     |                                |
| \$46,129                  | \$84,377                |                            |                                     | \$3,506,082                    |
|                           |                         |                            |                                     | 1,645,922                      |
| 308                       |                         |                            |                                     | 409                            |
| 18,076                    |                         |                            |                                     | 19,340                         |
|                           |                         |                            |                                     | 200,000                        |
|                           |                         |                            |                                     | 2,561                          |
|                           | 5,290                   |                            |                                     | 5,290                          |
|                           |                         |                            |                                     | 5,715                          |
| 3,210                     |                         |                            |                                     | 5,942                          |
|                           |                         |                            |                                     | 61,643                         |
| 33,752                    |                         | 3,867,992                  |                                     | 3,901,744                      |
|                           |                         |                            | 1,001,400                           | 1,001,400                      |
| <u>\$101,475</u>          | <u>\$89,667</u>         | <u>\$3,867,992</u>         | <u>\$1,001,400</u>                  | <u>\$10,356,048</u>            |
|                           |                         |                            |                                     | \$5,366                        |
| 18,031                    | 1                       |                            |                                     | 592,732                        |
|                           | 23,473                  |                            |                                     | 23,473                         |
|                           |                         |                            |                                     | 200,000                        |
|                           |                         |                            |                                     | 105,536                        |
| 11,814                    | 38                      |                            | 58,495                              | 141,778                        |
| 21,135                    |                         |                            | 509,954                             | 531,089                        |
| 1,913                     |                         |                            |                                     | 1,313,041                      |
|                           |                         |                            | 432,951                             | 432,951                        |
| <u>52,893</u>             | <u>23,512</u>           |                            | <u>1,001,400</u>                    | <u>3,345,966</u>               |
|                           |                         | 3,867,992                  |                                     | 3,867,992                      |
| 48,582                    |                         |                            |                                     | 48,582                         |
|                           |                         |                            |                                     | 379,387                        |
|                           |                         |                            |                                     | 2,732                          |
|                           |                         |                            |                                     | 5,715                          |
|                           |                         |                            |                                     | 76,272                         |
|                           | 5,290                   |                            |                                     | 5,290                          |
|                           |                         |                            |                                     | 61,643                         |
|                           | 51,788                  |                            |                                     | 51,788                         |
|                           |                         |                            |                                     | 1,625                          |
|                           | 9,077                   |                            |                                     | 2,509,056                      |
| <u>48,582</u>             | <u>66,155</u>           | <u>3,867,992</u>           |                                     | <u>7,010,082</u>               |
| <u>\$101,475</u>          | <u>\$89,667</u>         | <u>\$3,867,992</u>         | <u>\$1,001,400</u>                  | <u>\$10,356,048</u>            |

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

|   | Governmental Fund Types |                    |                     | Fiduciary<br>Fund Type | Totals<br>(Memorandum<br>Only) |
|---|-------------------------|--------------------|---------------------|------------------------|--------------------------------|
|   | General                 | Special<br>Revenue | Capital<br>Projects | Expendable<br>Trust    |                                |
| <b>Revenues:</b>  |                         |                    |                     |                        |                                |
| Taxes   | \$2,157,809             |                    | \$92,558            |                        | \$2,250,367                    |
| Tuition and Fees  | 3,435                   |                    |                     |                        | 3,435                          |
| Intergovernmental   | 3,372,125               | 221,642            | 15,943              |                        | 3,609,710                      |
| Interest  | 158,879                 | 4,127              | 25,936              |                        | 188,942                        |
| Extracurricular Activities  |                         | 88,975             |                     |                        | 88,975                         |
| Gifts and Donations   | 4,800                   | 26,809             |                     | 1,268                  | 32,877                         |
| Customer Services   | 720                     |                    |                     |                        | 720                            |
| Miscellaneous   | 30,702                  | 1,559              |                     | 4,900                  | 37,161                         |
| Total Revenues  | <u>5,728,470</u>        | <u>343,112</u>     | <u>134,437</u>      | <u>6,168</u>           | <u>6,212,187</u>               |
| <b>Expenditures:</b>  |                         |                    |                     |                        |                                |
| Current:  |                         |                    |                     |                        |                                |
| Instruction:  |                         |                    |                     |                        |                                |
| Regular   | 2,777,954               | 24,288             | 11,189              |                        | 2,813,431                      |
| Special   | 155,761                 | 157,134            |                     |                        | 312,895                        |
| Vocational  | 41,482                  | 1                  | 539                 |                        | 42,022                         |
| Other   | 84,018                  |                    |                     |                        | 84,018                         |
| Support Services:   |                         |                    |                     |                        |                                |
| Pupils  | 259,736                 | 15,558             |                     |                        | 275,294                        |
| Instruction   | 148,884                 | 7,397              |                     |                        | 156,281                        |
| Board of Education  | 24,282                  |                    |                     |                        | 24,282                         |
| Administration  | 489,389                 | 7,707              |                     |                        | 497,096                        |
| Fiscal  | 190,482                 |                    | 1,772               |                        | 192,254                        |
| Business  | 406                     |                    |                     |                        | 406                            |
| Operation and Maintenance   | 499,899                 | 1,480              |                     |                        | 501,379                        |
| Transportation  | 373,332                 |                    |                     |                        | 373,332                        |
| Central Services  |                         | 5,759              |                     |                        | 5,759                          |
| Non-Instructional Services  |                         | 5,956              |                     | 4,647                  | 10,603                         |
| Extracurricular Activities  | 120,202                 | 139,081            |                     |                        | 259,283                        |
| Capital Outlay  | 21,642                  |                    | 744,567             |                        | 766,209                        |
| Debt Service:   |                         |                    |                     |                        |                                |
| Principal   | 30,925                  |                    |                     |                        | 30,925                         |
| Interest  | 20,851                  |                    |                     |                        | 20,851                         |
| Total Expenditures  | <u>5,239,245</u>        | <u>364,361</u>     | <u>758,067</u>      | <u>4,647</u>           | <u>6,366,320</u>               |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures                                  | <u>489,225</u>          | <u>(21,249)</u>    | <u>(623,630)</u>    | <u>1,521</u>           | <u>(154,133)</u>               |
| <b>Other Financing Sources (Uses):</b>  |                         |                    |                     |                        |                                |
| Operating Transfers In  |                         | 17,391             |                     |                        | 17,391                         |
| Proceeds from Sale of Long-Term Notes   |                         |                    |                     |                        |                                |
| Proceeds from Sale of Fixed Assets  | 1,333                   |                    |                     |                        | 1,333                          |
| Operating Transfers Out   | (25,778)                | (11,613)           |                     |                        | (37,391)                       |
| Other   | 95                      |                    |                     |                        | 95                             |
| Total Other Financing Sources (Uses)  | <u>(24,350)</u>         | <u>5,778</u>       |                     |                        | <u>(18,572)</u>                |
| Excess (Deficiency) of Revenues and Other Sources<br>Over (Under) Expenditures and Other Uses | 464,875                 | (15,471)           | (623,630)           | 1,521                  | (172,705)                      |
| Fund Balances (Deficits) at Beginning of Year   | <u>2,254,974</u>        | <u>61,791</u>      | <u>884,814</u>      | <u>13,544</u>          | <u>3,215,123</u>               |
| Fund Balances (Deficits) at End of Year   | <u>\$2,719,849</u>      | <u>\$46,320</u>    | <u>\$261,184</u>    | <u>\$15,065</u>        | <u>\$3,042,418</u>             |

The accompanying notes are an integral part of the financial statements.

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**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

|  | General Fund       |                    |  | Governmental Fund Types<br>Special Revenue Funds |                 |  |
|--|--------------------|--------------------|--|--|-----------------|--|
|  | Revised<br>Budget  | Actual             | Variance<br>Favorable<br>(Unfavorable) | Revised<br>Budget                                | Actual          | Variance<br>Favorable<br>(Unfavorable) |
| <b>Revenues:</b>   |                    |                    |  |  |                 |  |
| Taxes  | \$2,194,105        | \$2,175,912        | (\$18,193)                             |  |                 |  |
| Tuition and Fees   | 2,500              | 3,335              | 835                                    |  |                 |  |
| Intergovernmental  | 3,283,590          | 3,370,861          | 87,271                                 | 226,248  | 221,642         | (4,606)                                |
| Interest   | 124,461            | 158,406            | 33,945                                 | 5,037  | 4,127           | (910)                                  |
| Extracurricular Activities   |                    |                    |  | 95,802   | 88,975          | (6,827)                                |
| Gifts and Donations  | 500                | 4,800              | 4,300                                  | 28,750   | 26,809          | (1,941)                                |
| Customer Services  | 1,000              | 720                | (280)                                  |  |                 |  |
| Miscellaneous  | 500                | 30,701             | 30,201                                 |  | 1,559           | 1,559                                  |
| Total Revenues   | <u>5,606,656</u>   | <u>5,744,735</u>   | <u>138,079</u>                         | <u>355,837</u>                                   | <u>343,112</u>  | <u>(12,725)</u>                        |
| <b>Expenditures:</b>   |                    |                    |  |  |                 |  |
| Current:   |                    |                    |  |  |                 |  |
| Instruction:   |                    |                    |  |  |                 |  |
| Regular  | 3,001,677          | 2,911,786          | 89,891                                 | 26,379   | 24,784          | 1,595                                  |
| Special  | 171,177            | 157,443            | 13,734                                 | 183,016  | 157,510         | 25,506                                 |
| Vocational   | 44,658             | 40,932             | 3,726                                  |  |                 | 0                                      |
| Other  | 128,965            | 98,319             | 30,646                                 |  |                 | 0                                      |
| Support Services:  |                    |                    |  |  |                 |  |
| Pupils   | 292,592            | 261,207            | 31,385                                 | 15,558   | 15,558          | 0                                      |
| Instruction  | 186,024            | 160,395            | 25,629                                 | 17,200   | 7,876           | 9,324                                  |
| Board of Education   | 45,670             | 23,998             | 21,672                                 |  |                 | 0                                      |
| Administration   | 521,882            | 481,413            | 40,469                                 | 7,705  | 7,705           | 0                                      |
| Fiscal   | 199,954            | 192,551            | 7,403                                  |  |                 | 0                                      |
| Buisiness  | 500                | 406                | 94                                     |  |                 | 0                                      |
| Operation and Maintenance  | 590,831            | 495,319            | 95,512                                 | 2,500  | 1,480           | 1,020                                  |
| Transportation   | 443,383            | 426,343            | 17,040                                 |  |                 | 0                                      |
| Central Services   |                    |                    |  | 13,750   | 5,803           | 7,947                                  |
| Non-Instructional Services   |                    |                    |  | 9,280  | 5,956           | 3,324                                  |
| Extracurricular Activities   | 121,307            | 120,204            | 1,103                                  | 154,153  | 142,612         | 11,541                                 |
| Capital Outlay   | 84,310             | 38,099             | 46,211                                 |  |                 | 0                                      |
| Debt Service   |                    |                    |  |  |                 |  |
| Debt Service - Principal   | 30,925             | 30,925             |  |  |                 | 0                                      |
| Debt Service - Interest  | 20,852             | 20,852             |  |  |                 | 0                                      |
| Total Expenditures   | <u>5,884,707</u>   | <u>5,460,192</u>   | <u>424,515</u>                         | <u>429,541</u>                                   | <u>369,284</u>  | <u>60,257</u>                          |
| Excess (Deficiency) of Revenues Over<br>(Under) Expenditures                                     | <u>(278,051)</u>   | <u>284,543</u>     | <u>562,594</u>                         | <u>(73,704)</u>                                  | <u>(26,172)</u> | <u>47,532</u>                          |
| <b>Other Financing Sources (Uses):</b>   |                    |                    |  |  |                 |  |
| Operating Transfers In   | 23,000             |                    | (23,000)                               | 20,656   | 17,391          | (3,265)                                |
| Proceeds from Sale of Fixed Assets   | 2,000              | 1,333              | (667)                                  |  |                 | 0                                      |
| Advances In  | 7,000              |                    | (7,000)                                |  |                 | 0                                      |
| Refund of Prior Year Expenditures  | 5,000              | 707                | (4,293)                                | 500  | 422             | (78)                                   |
| Other Financing Sources  | 500                | 95                 | (405)                                  |  |                 | 0                                      |
| Operating Transfers Out  | (95,778)           | (25,778)           | 70,000                                 | (12,735)   | (11,613)        | 1,122                                  |
| Refund of Prior Year Receipts  | (1,000)            |                    | 1,000                                  |  |                 | 0                                      |
| Advances Out   | (9,000)            |                    | 9,000                                  | (500)  |                 | 500                                    |
| Other Financing Uses   | (187,185)          |                    | 187,185                                |  |                 | 0                                      |
| Total Other Financing Sources (Uses)   | <u>(255,463)</u>   | <u>(23,643)</u>    | <u>231,820</u>                         | <u>7,921</u>                                     | <u>6,200</u>    | <u>(1,721)</u>                         |
| Excess (Deficiency) of Revenues<br>and Other Sources Over (Under)<br>Expenditures and Other Uses | <u>(533,514)</u>   | <u>260,900</u>     | <u>794,414</u>                         | <u>(65,783)</u>                                  | <u>(19,972)</u> | <u>45,811</u>                          |
| Fund Balances (Deficit) at Beginning of Year   | 2,191,339          | 2,191,339          | 0                                      | 79,040   | 79,040          | 0                                      |
| Prior Year Encumbrances Appropriated   | 237,855            | 237,855            | 0                                      | 10,020   | 10,020          | 0                                      |
| Fund Balances (Deficit) at End of Year   | <u>\$1,895,680</u> | <u>\$2,690,094</u> | <u>\$794,414</u>                       | <u>\$23,277</u>                                  | <u>\$69,088</u> | <u>\$45,811</u>                        |

*The accompanying notes are an integral part of the financial statements.*



| Capital Projects Funds |                  |                                  | Fiduciary Fund Types<br>Expendable Trust Funds |                |                                  |
|------------------------|------------------|----------------------------------|--|----------------|----------------------------------|
| Revised Budget         | Actual           | Variance Favorable (Unfavorable) | Revised Budget                                 | Actual         | Variance Favorable (Unfavorable) |
| \$90,000               | \$92,558         | \$2,558                          |  |                |                                  |
| 517,013                | 15,943           | (501,070)                        |  |                |                                  |
| 22,000                 | 25,936           | 3,936                            |  |                |                                  |
|                        |                  |                                  | 1,300  | 1,268          | (32)                             |
|                        |                  |                                  | 2,000  | 1,456          | (544)                            |
| <u>629,013</u>         | <u>134,437</u>   | <u>(494,576)</u>                 | <u>3,300</u>                                   | <u>2,724</u>   | <u>(576)</u>                     |
| 16,563                 | 16,496           | 67                               |  |                |                                  |
| 539                    | 539              |                                  |  |                |                                  |
| 750                    |                  | 750                              |  |                |                                  |
| 2,000                  | 1,772            | 228                              |  |                |                                  |
|                        |                  |                                  | 7,100  | 4,899          | 2,201                            |
| 1,338,975              | 822,198          | 516,777                          |  |                |                                  |
| <u>1,358,827</u>       | <u>841,005</u>   | <u>517,822</u>                   | <u>7,100</u>                                   | <u>4,899</u>   | <u>2,201</u>                     |
| <u>(729,814)</u>       | <u>(706,568)</u> | <u>23,246</u>                    | <u>(3,800)</u>                                 | <u>(2,175)</u> | <u>1,625</u>                     |
| 50,000                 |                  | (50,000)                         |  |                |                                  |
|                        | 200,000          | 200,000                          |  |                |                                  |
| (200,000)              | (200,000)        |                                  |  |                |                                  |
| <u>(150,000)</u>       |                  | <u>150,000</u>                   |  |                |                                  |
| (879,814)              | (706,568)        | 173,246                          | (3,800)  | (2,175)        | 1,625                            |
| 379,667                | 379,667          |                                  | 11,238   | 11,238         |                                  |
| 505,147                | 505,147          |                                  | 500  | 500            |                                  |
| <u>\$5,000</u>         | <u>\$178,246</u> | <u>\$173,246</u>                 | <u>\$7,938</u>                                 | <u>\$9,563</u> | <u>\$1,625</u>                   |

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

|  | <u>Proprietary Fund Types</u> |                             | <u>Fiduciary<br/>Fund Type</u> | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|--|-------------------------------|-----------------------------|--------------------------------|---|
|  | <u>Enterprise</u>             | <u>Internal<br/>Service</u> | <u>Nonexpendable<br/>Trust</u> |   |
| <b>Operating Revenues:</b>   |                               |                             |                                |   |
| Sales  | \$213,230                     | \$593                       |                                | \$213,823                               |
| Interest   |                               |                             | 1,519                          | 1,519                                   |
| Contributions and Donations  |                               |                             | 29,788                         | 29,788                                  |
| Total Operating Revenue  | <u>213,230</u>                | <u>593</u>                  | <u>31,307</u>                  | <u>245,130</u>                          |
| <b>Operating Expenses:</b>   |                               |                             |                                |   |
| Salaries   | 95,635                        |                             |                                | 95,635                                  |
| Fringe Benefits  | 55,695                        |                             |                                | 55,695                                  |
| Purchased Services   | 13,918                        |                             |                                | 13,918                                  |
| Materials and Supplies   | 155,652                       | 593                         |                                | 156,245                                 |
| Depreciation   | 2,160                         |                             |                                | 2,160                                   |
| Miscellaneous  | 694                           |                             | 2,375                          | 3,069                                   |
| Capital Outlay   | 2,112                         |                             |                                | 2,112                                   |
| Total Operating Expenses   | <u>325,866</u>                | <u>593</u>                  | <u>2,375</u>                   | <u>328,834</u>                          |
| Operating Income (Loss)  | <u>(112,636)</u>              |                             | <u>28,932</u>                  | <u>(83,704)</u>                         |
| <b>Non-Operating Revenues (Expenses):</b>                                  |                               |                             |                                |   |
| Interest   | 922                           |                             |                                | 922                                     |
| Operating Grants   | 68,859                        |                             |                                | 68,859                                  |
| Federal Donated Commodities  | 23,693                        |                             |                                | 23,693                                  |
| Total Non-Operating<br>Revenues and (Expenses)                             | <u>93,474</u>                 |                             |                                | <u>93,474</u>                           |
| Net Income (Loss) before Transfers   | (19,162)                      |                             | 28,932                         | 9,770                                   |
| Operating Transfers-In   | 20,000                        |                             |                                | 20,000                                  |
| Net Income (Loss)  | 838                           |                             | 28,932                         | 29,770                                  |
| Retained Earnings/Fund Balance<br>(Deficit) at Beginning of Year -Restated | <u>47,744</u>                 |                             | <u>22,158</u>                  | <u>69,902</u>                           |
| Retained Earnings/Fund Balance<br>(Deficit) at End of Year                 | <u>\$48,582</u>               | <u>\$0</u>                  | <u>\$51,090</u>                | <u>\$99,672</u>                         |

*The accompanying notes are an integral part of the financial statements.*

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

|  | <u>Proprietary Fund Types</u> |                         | <u>Fiduciary Fund</u>       | <u>Totals</u>            |
|--|-------------------------------|-------------------------|-----------------------------|--------------------------|
|  | <u>Enterprise</u>             | <u>Internal Service</u> | <u>Non-Expendable Trust</u> | <u>(Memorandum Only)</u> |
| <b>Increase (Decrease) in Cash and Cash Equivalents:</b>   |                               |                         |                             |                          |
| <b>Cash Flows from Operating Activities:</b>   |                               |                         |                             |                          |
| Cash Received from Customers   | \$223,263                     | \$593                   | \$29,788                    | \$253,644                |
| Cash Payments to Suppliers for Goods and Services  | (148,280)                     | (593)                   | (2,375)                     | (151,248)                |
| Cash Payments to Employees for Services  | (97,160)                      |                         |                             | (97,160)                 |
| Cash Payments for Employee Benefits  | (58,045)                      |                         |                             | (58,045)                 |
| Net Cash Provided by (Used for) Operating Activities   | (80,222)                      |                         | 27,413                      | (52,809)                 |
| <b>Cash Flows from Noncapital Financing Activities:</b>  |                               |                         |                             |                          |
| Operating Grants Received  | 57,740                        |                         |                             | 57,740                   |
| Transfers from Other Funds   | 20,000                        |                         |                             | 20,000                   |
| Net Cash Provided by (Used for) Noncapital Financing Activities  | 77,740                        |                         |                             | 77,740                   |
| <b>Cash Flows from Capital and Related Financing Activities:</b>   |                               |                         |                             |                          |
| Acquisition of Capital Assets  | (1,196)                       |                         |                             | (1,196)                  |
| <b>Cash Flows from Investing Activities:</b>   |                               |                         |                             |                          |
| Interest   | 922                           |                         | 1,519                       | 2,441                    |
| Net Increase (Decrease) in Cash and Cash Equivalents   | (2,756)                       |                         | 28,932                      | 26,176                   |
| Cash and Cash Equivalents at Beginning of Year   | 48,885                        |                         | 22,158                      | 71,043                   |
| Cash and Cash Equivalents at End of Year   | \$46,129                      |                         | \$51,090                    | \$97,219                 |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>        |                               |                         |                             |                          |
| Operating Income (Loss)  | (\$112,636)                   |                         | \$28,932                    | (\$83,704)               |
| <b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b> |                               |                         |                             |                          |
| Depreciation   | 2,160                         |                         |                             | 2,160                    |
| Donated Commodities Used During Year   | 23,693                        |                         |                             | 23,693                   |
| Nonexpendable Trust Fund Interest  |                               |                         | (1,519)                     | (1,519)                  |
| Changes in Assets and Liabilities:   |                               |                         |                             |                          |
| (Increase)/Decrease in Accounts Receivable   | 9,896                         |                         |                             | 9,896                    |
| (Increase)/Decrease in Commodities Inventory   | 3,896                         |                         |                             | 3,896                    |
| Increase/(Decrease) in Deferred Revenue  | (3,370)                       |                         |                             | (3,370)                  |
| Increase/(Decrease) in Accrued Salaries and Benefits   | 2,103                         |                         |                             | 2,103                    |
| Increase/(Decrease) in Intergovernmental Payables  | (5,971)                       |                         |                             | (5,971)                  |
| Increase/(Decrease) in Compensated Absences Payable  | 7                             |                         |                             | 7                        |
| Total Adjustments  | 32,414                        |                         | (1,519)                     | 30,895                   |
| Net Cash Provided by Operating Activities  | (\$80,222)                    | \$0                     | \$27,413                    | (\$52,809)               |
| <b>Reconciliation of Trust and Agency Funds:</b>   |                               |                         |                             |                          |
| Cash and Cash Equivalents - All Fiduciary and Agency Funds   |                               | \$84,377                |                             |                          |
| Less: Cash and Cash Equivalents - Expendable Trust and Agency Funds  |                               | (\$33,287)              |                             |                          |
| Cash and Cash Equivalents - Non Expendable Trust Fund  |                               | \$51,090                |                             |                          |

The accompanying notes are an integral part of the financial statements.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

|  | Proprietary Fund Types |                 |  |                        |            |  |
|--|------------------------|-----------------|--|------------------------|------------|--|
|  | Enterprise Funds       |                 |  | Internal Service Funds |            |  |
|  | Revised<br>Budget      | Actual          | Variance<br>Favorable<br>(Unfavorable) | Revised<br>Budget      | Actual     | Variance<br>Favorable<br>(Unfavorable) |
| <b>Revenues:</b>   |                        |                 |  |                        |            |  |
| Sales  | \$235,000              | \$223,051       | (\$11,949)                             | \$1,000                | \$593      | (\$407)                                |
| Charges for Services   | 1,000                  | 74              | (926)                                  |                        |            |  |
| Federal and State Subsidies  | 69,000                 | 57,740          | (11,260)                               |                        |            |  |
| Contributions and Donations  |                        |                 |  |                        |            |  |
| Interest   | 1,200                  | 922             | (278)                                  |                        |            |  |
| Refund of Prior Year Expense   |                        | 139             | 139                                    |                        |            |  |
| Total Revenues   | <u>306,200</u>         | <u>281,926</u>  | <u>(24,274)</u>                        | <u>1,000</u>           | <u>593</u> | <u>(407)</u>                           |
| <b>Expenses:</b>   |                        |                 |  |                        |            |  |
| Salaries   | 103,908                | 97,160          | 6,748                                  |                        |            |  |
| Fringe Benefits  | 65,539                 | 64,128          | 1,411                                  |                        |            |  |
| Purchased Services   | 14,600                 | 13,919          | 681                                    |                        |            |  |
| Materials and Supplies   | 155,698                | 138,310         | 17,388                                 | 1,000                  | 593        | 407                                    |
| Other  | 2,447                  | 695             | 1,752                                  |                        |            |  |
| Capital Outlay   | 6,279                  | 2,112           | 4,167                                  |                        |            |  |
| Total Expenses   | <u>348,471</u>         | <u>316,324</u>  | <u>32,147</u>                          | <u>1,000</u>           | <u>593</u> | <u>407</u>                             |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenses                                     | (42,271)               | (34,398)        | 7,873                                  |                        |            |  |
| <b>Other Financing Sources (Uses):</b>   |                        |                 |  |                        |            |  |
| Operating Transfers In   |                        | 20,000          | 20,000                                 |                        |            |  |
| Total Other Financing Sources (Uses)   |                        | <u>20,000</u>   | <u>20,000</u>                          |                        |            |  |
| Excess (Deficiency) of Revenues and<br>Other Sources Over (Under)<br>Expenses and Other Uses | (42,271)               | (14,398)        | 27,873                                 |                        |            |  |
| Fund Balance (Deficit) at<br>Beginning of Year   | 33,489                 | 33,489          |  |                        |            |  |
| Prior Year Encumbrances  | <u>15,397</u>          | <u>15,397</u>   |  |                        |            |  |
| Fund Balance (Deficit) at<br>End of Year   | <u>\$6,615</u>         | <u>\$34,488</u> | <u>\$27,873</u>                        | <u>\$0</u>             | <u>\$0</u> | <u>\$0</u>                             |

*The accompanying notes are an integral part of the financial statements.*

| <b>Non-Expendable Trust</b> |                 |   |
|-----------------------------|-----------------|---|
| <b>Revised<br/>Budget</b>   | <b>Actual</b>   | <b>Variance<br/>Favorable<br/>(Unfavorable)</b> |
| 75,000                      | 29,788          | (45,212)  |
| 5,000                       | 1,519           | (3,481)   |
| <u>80,000</u>               | <u>31,307</u>   | <u>(48,693)</u>                                 |
| 5,000                       | 5,000           |   |
| <u>5,000</u>                | <u>5,000</u>    |   |
| 75,000                      | 26,307          | (48,693)  |
|                             |                 |   |
| 75,000                      | 26,307          | (48,693)  |
| 22,158                      | 22,158          |   |
| <u>\$97,158</u>             | <u>\$48,465</u> | <u>(\$48,693)</u>                               |

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**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN 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**

Spencerville Local 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 is located in Allen County. The School District is the 480th largest in the State of Ohio (among 628 school districts) in terms of enrollment. It is staffed by 35 non-certificated employees and 72 certificated full-time teaching personnel who provide services to 1,110 students and other community members. The School District currently operates 2 elementary schools, 1 middle school, and 1 high school.

The reporting entity is comprised 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 Spencerville Local School District, this includes general operations, food service, and student related activities of the School District.

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

The School District is associated with four jointly governed organizations and two insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, Apollo Joint Vocational School, West Central Regional Professional Development Center, the West Central Ohio Special Education Regional Resource Center, the Allen County Schools Health Benefit Plan, and the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Plan. These organizations are presented in Notes 20 and 21 to the general purpose financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

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

**A. Basis Of Presentation - Fund Accounting**

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

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

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

**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 used 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.

**Capital Projects Funds** - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or 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 are the School District's proprietary fund types:



**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

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

**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.

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

**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 governmental units, and/or other funds. The School District's fiduciary funds include expendable trust, non-expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental 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 those accounted for in the proprietary or trust funds.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types 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.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

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

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. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental, 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: taxpayer-assessed income taxes, 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 been recorded as deferred revenue.

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

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

**C. Budgetary Process**

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

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

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

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.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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

**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.

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.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN 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 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 monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**5. Lapsing of Appropriations**

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

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet. During fiscal year 1999, investments were limited to interest in STAR Ohio. Investments are stated at cost or amortized cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 1999. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to Pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 1999.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 1999 amounted to \$158,879, which includes \$9,050 assigned from other School District funds.

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

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

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

**E. Inventory**

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

**F. Prepaid Items**

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

**G. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Department of Education. During fiscal year 1999, the District received a \$286 refund from the Bureau of Workers Compensation which State statute required to be included in this reserve. This refund is presented as "other revenue" in the accompanying financial statements. A fund balance reserve has also been established.

**H. Fixed Assets and Depreciation**

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

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

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

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN 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. Intergovernmental Revenues**

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

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

**Entitlements**

**General Fund**

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

**Special Revenue**

- Instructional Materials and Textbook Subsidy

**Non-Reimbursable Grants**

**Special Revenue Funds**

- Education Management Information Systems
- Schoolnet Professional Development
- Title I
- Title VI
- Title VI-B
- Drug-Free Schools
- Dwight D. Eisenhower Grant
- Professional Development Block Grant

**Capital Projects**

- School Net Plus
- Technology Equity

**Reimbursable Grants**

**General Fund**

- Driver Education

**Proprietary Funds**

- National School Lunch Program
- Government Donated Commodities

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

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

**J. Compensated Absences**

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

**K. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits 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, capital leases, and long-term loans 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.

**L. Interfund Transactions**

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

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

**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 could differ from those estimates.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

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

**N. Fund Balance Reserves and Designations**

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, prepaid items, taxes, budget stabilization, notes receivable, and contributions to the nonexpendable trust fund that must be kept intact. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations 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 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 revenues set-aside for budget stabilization that exceeded the statutorily required amount.

**O. 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 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. PRIOR PERIOD ADJUSTMENT**

In fiscal year 1999, the School District did not have the correct salvage values for lunchroom fixed assets. This correction had the following effect on the accumulated depreciation and Enterprise retained earnings as they were previously reported as of June 30, 1998:

|  | <b>Retained<br/>Earnings</b> |
|--|------------------------------|
| Retained Earnings as previously reported           | \$55,089                     |
| Addition of accumulated depreciation as of 6/30/98 | (7,345)                      |
| Restated Retained Earnings as of June 30, 1998     | <u><u>\$47,744</u></u>       |

**4. ACCOUNTABILITY**

At June 30, 1999, there were several special revenue funds that had deficit fund balances and a capital projects fund with a deficit fund balance. The deficits in the special revenue and capital projects funds resulted from the application of generally accepted accounting principles. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.



**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

**4. ACCOUNTABILITY (Continued)**

| FUND                    | FUND<br>DESCRIPTION                     | DEFICIT<br>BALANCE |
|-------------------------|---|--------------------|
| <b>Special Revenue</b>  |   |                    |
| 516                     | Title VI B Special Education Grant Fund | \$3,356            |
| 572                     | Title 1 Fund                            | 794                |
| <b>Capital Projects</b> |   |                    |
| 497                     | Emergency Repair Grant Fund             | 133,692            |

**5. BUDGETARY BASIS OF ACCOUNTING**

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

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

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

| <u>Governmental and<br/>Similar Trust Funds</u> | <u>General</u>     | <u>Special<br/>Revenue</u> | <u>Capital<br/>Projects</u> | <u>Expendable<br/>Trust</u> |
|---|--------------------|----------------------------|-----------------------------|-----------------------------|
| GAAP basis                                      | \$2,719,849        | \$46,320                   | \$261,184                   | \$15,065                    |
| Revenue accruals                                | (1,773,711)        | 0                          | (298,074)                   | (5,290)                     |
| Expenditure accruals                            | 2,051,503          | 32,252                     | 403,610                     | 38                          |
| Prepaid items                                   | (5,715)            | 0                          | 0                           | 0                           |
| Encumbrances                                    | <u>(301,832)</u>   | <u>(9,484)</u>             | <u>(188,474)</u>            | <u>(250)</u>                |
| Budget basis                                    | <u>\$2,690,094</u> | <u>\$69,088</u>            | <u>\$178,246</u>            | <u>\$ 9,563</u>             |

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

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

| <u>Proprietary and<br/>Similar Trust Funds</u> | <u>Enterprise</u> | <u>Non-Expendable<br/>Trust</u> |
|--|-------------------|---------------------------------|
| GAAP basis                                     | \$48,582          | \$51,090                        |
| Revenue accrual                                | (42,077)          | 0                               |
| Expense accrual                                | 42,833            | 0                               |
| Inventory held for resale                      | (3,210)           | 0                               |
| Encumbrances                                   | <u>(11,640)</u>   | <u>(2,625)</u>                  |
| Budget basis                                   | <u>\$34,488</u>   | <u>\$48,465</u>                 |

**6. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States Treasury notes, bills, bonds, or other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

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

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

**Deposits** - At fiscal year end, the carrying amount of the School District's deposits was \$24,445 and the bank balance was \$177,537. Of the bank balance, \$100,000 was covered by federal depository insurance. \$77,537 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**Investments** - The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. The School District's investments consist solely of STAR Ohio, an investment pool operated by the Ohio State Treasurer. These are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

|           | <u>Carrying<br/>Value</u> | <u>Fair<br/>Value</u> |
|-----------|---------------------------|-----------------------|
| STAR Ohio | \$3,543,280               | \$3,543,280           |

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

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

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

|                  | <u>Cash and Cash<br/>Equivalents/Deposits</u> | <u>Investments</u> |
|------------------|---|--------------------|
| GASB Statement 9 | \$3,567,725                                   | \$ 0               |
| Investments:     |   |                    |
| STAR Ohio        | <u>(3,543,280)</u>                            | <u>3,543,280</u>   |
| GASB Statement 3 | <u>\$ 24,445</u>                              | <u>\$3,543,280</u> |

**7. 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 year. Tangible personal property assessments are 25 percent of true value.

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, 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.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

**7. PROPERTY TAXES (Continued)**

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 \$76,272, and the amount available as an advance at June 30, 1998 was \$101,548.

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

|   | 1998 Second-Half<br>Collections |                | 1999 First-Half<br>Collections |                |
|---|---------------------------------|----------------|--------------------------------|----------------|
|   | <u>Amount</u>                   | <u>Percent</u> | <u>Amount</u>                  | <u>Percent</u> |
| Agricultural/Residential<br>and Other Real Estate | \$53,263,340                    | 84.12%         | \$55,024,120                   | 85.12%         |
| Public Utility                                    | 5,599,516                       | 8.84           | 5,297,584                      | 8.19           |
| Tangible Personal Property                        | <u>4,459,330</u>                | <u>7.04</u>    | <u>4,324,510</u>               | <u>6.69</u>    |
| Total Assessed Value                              | <u>\$63,322,186</u>             | <u>100.00%</u> | <u>\$64,646,214</u>            | <u>100.00%</u> |
| Tax rate per \$1,000 of<br>assessed valuation     | \$34.97                         |                | \$34.87                        |                |

**8. INCOME TAX**

The School District renewed a tax levy of one percent for general operations on the income of residents and of estates. The renewed tax was effective on January 1, 1998, and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**9. RECEIVABLES**

Receivables at June 30, 1999, consisted of both property and income taxes, accounts (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 fiscal year guarantee of federal funds.

**10. NOTES RECEIVABLE**

The Diesel Scholarship Fund was established on November 7, 1967 through a trust agreement. Qualified students may borrow amounts determined yearly dependent on the ability of the fund to pay for the costs of higher education. Repayments begin after termination of college attendance.

At the close of fiscal year 1999, there were 9 students with a total principal balance of \$10,740. Of the balance, \$5,290 is being recorded on the financial statements because the remaining \$5,450 is deferred until the student completes or leaves post secondary schooling.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

**11. FIXED ASSETS**

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

|                               |                  |
|-------------------------------|------------------|
| Furniture and Equipment       | \$115,202        |
| Less Accumulated Depreciation | <u>(81,450)</u>  |
| Net Fixed Assets              | <u>\$ 33,752</u> |

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

| <u>Asset Category</u>              | <u>Balance at<br/>6/30/98</u> | <u>Additions</u>   | <u>Disposals</u>   | <u>Balance at<br/>6/30/99</u> |
|------------------------------------|-------------------------------|--------------------|--------------------|-------------------------------|
| Land and Land Improvements         | \$ 100,374                    | \$ 291,074         | \$ 0               | \$ 391,448                    |
| Buildings and Improvements         | 792,312                       | 814,221            | 0                  | 1,606,533                     |
| Furniture, Fixtures, and Equipment | 1,255,644                     | 301,366            | (259,273)          | 1,297,737                     |
| Vehicles                           | <u>562,122</u>                | <u>52,023</u>      | <u>(41,871)</u>    | <u>572,274</u>                |
| Total                              | <u>\$2,710,452</u>            | <u>\$1,458,684</u> | <u>\$(301,144)</u> | <u>\$3,867,992</u>            |

**12. RISK MANAGEMENT**

**A. Public Liability**

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 Indiana Insurance for property and general liability insurance, and boiler and machinery insurance. Boiler and machinery coverage has \$1,000 deductible per object. Professional liability is protected by Nationwide Insurance Company with \$1,000,000 each occurrence, \$5,000,000 aggregate limit, plus an additional \$1,000,000 is covered under another commercial umbrella liability policy.

Vehicles are covered by Wausau Insurance Company and hold a \$50 deductible for comprehensive and \$250 for collisions. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years.

Public officials bond insurance is provided by the Mueller-Paulus-Homan Insurance Company for a total of \$60,000. The School District has a \$2,500 dishonesty bond covering all employees who handle money. The dishonesty bond is provided by O'Connor McLaughlin Insurance Company.

The School District pay the States Worker's Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

**12. RISK MANAGEMENT**

**B. Worker's Compensation**

For fiscal year 1999, the School District participated in the Northwest Ohio Area Computer Services Cooperative Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 21). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP.

**C. Employee Medical Benefits**

The School District participates in the Allen County Schools Health Benefit Plan (Note 21), a public entity shared risk pool consisting of the school districts within Allen County. The School District pays monthly premiums to the Plan for employee medical and dental benefits. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**13. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the Spencerville Local School District is required to contribute 14 percent; 7.7 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$56,026, \$65,156, and \$63,731, respectively; 42.73 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$32,086 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.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

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

**B. State Teachers Retirement System**

The Spencerville Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides 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.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Spencerville Local School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$159,504, \$265,540, and \$287,652, respectively; 82.53 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$27,871 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**C. Social Security System**

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

**14. POSTEMPLOYMENT BENEFITS**

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

For STRS, all benefit recipients are required to pay a portion of 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. The board currently allocates employer contributions equal to eight percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$ 212,672 during the 1999 fiscal year. As of July 1, 1998, eligible benefit recipients totaled 91,999. For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000.

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.



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

**14. POSTEMPLOYMENT BENEFITS (Continued)**

For this fiscal year, employer contributions to fund health care benefits were 6.3 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, equaled \$ 65,717 during the 1999 fiscal year. The number of participants currently receiving health care benefits is 50,000. For the fiscal year ended June 30, 1998, net health care costs paid by SERS were \$111,900,575, and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million.

**15. EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month which is 15 day annually. For administrators, teachers, and classified employees, such days shall accumulate equal to 200 days. For certified employees, the amount of sick leave paid at retirement is doubled the amount as figured above. Vested sick leave is accumulated and, if unused, is paid upon retirement at the rate of one-fourth of the accumulated sick leave when an employee has 10 years with the School District. Administrative, classified, and certified employees are limited to a maximum of 50 paid days.

**B. Life Insurance**

The School District provides \$40,000 in life insurance and accidental death and dismemberment insurance to its full time employees through CoreSource, Inc. All employees with half time positions but less than full time receive a percentage of life insurance and accidental death and dismemberment insurance. The Superintendent, Treasurer, and Principals receive \$50,000 in life insurance and accidental death and dismemberment insurance.

**C. Health Care Benefits**

The School District has elected to provide employee medical/surgical and dental benefits through the Allen County Schools Health Benefit Plan. The employees share the cost of the monthly premium with the Board. The premium varies with employees depending on the terms of the union contract. Life insurance is provided through CoreSource. The School District also contributes to a Flexible Health Benefit Spending Account for each employee for medical expenses not covered by other health insurance.

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

**16. OPERATING LEASES**

The District is obligated under various operating lease agreements with Perry Corporation for copiers. These agreements do not give rise to property rights and are not reflected in the School's account group. The minimum requirement of the lease is 2,000,000 copies in each 12 month period at \$.010 per copy, and a total of 12,000,000 copies per lease. The District is also obligated under a operating lease agreement for a vehicle. The future rental payments are as follows:

| Year Ending<br><u>June 30.</u> | Copier Lease<br><u>Amounts</u> | Vehicle Lease<br><u>Amounts</u> |
|--------------------------------|--------------------------------|---------------------------------|
| 2000                           | \$20,000                       | \$2,342                         |
| 2001                           | 20,000                         | 2,342                           |
| 2002                           | <u>5,000</u>                   | <u>390</u>                      |
| Total                          | <u>\$45,000</u>                | <u>\$5,074</u>                  |

**17. LONG-TERM OBLIGATIONS**

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

|   | Principal<br>Outstanding<br><u>6/30/98</u> | <u>Additions</u> | <u>Deductions</u> | Principal<br>Outstanding<br><u>6/30/99</u> |
|---|--|------------------|-------------------|--|
| Note Payable; HB 264 Project; 4.65%<br>interest; Matures 12/01/12 | \$ 463,876                                 | \$ 0             | \$30,925          | \$ 432,951                                 |
| Compensated Absences  | 459,508                                    | 50,446           | 0                 | 509,954                                    |
| Intergovernmental Payables  | <u>58,495</u>                              | <u>58,495</u>    | <u>58,495</u>     | <u>58,495</u>                              |
| Total General Long - Term Obligations                             | <u>\$981,879</u>                           | <u>\$108,941</u> | <u>\$89,420</u>   | <u>\$1,001,400</u>                         |

Compensated absences and intergovernmental payables will be paid from the fund which the employers salary is paid. The change in compensated absences is presented net because it is not practical to determine the actual increase and decrease.

On February 2, 1998, the District issued \$463,876 in energy conservation improvement notes in accordance with House Bill 264. The notes were issued to finance modification, installation and remodeling of school buildings for the purpose of reducing energy consumption and thereby reducing current expenses of the District. The notes were issued for a period of fifteen years with final maturity on December 1, 2012. The notes will be retired from the General Fund.

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

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

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

| Fiscal Year<br>Ending June 30 | <u>Principal</u> | <u>Interest</u>  | <u>Total</u>     |
|-------------------------------|------------------|------------------|------------------|
| 2000                          | \$ 30,925        | \$ 19,413        | \$ 50,338        |
| 2001                          | 30,925           | 17,975           | 48,900           |
| 2002                          | 30,925           | 16,537           | 47,462           |
| 2003                          | 30,925           | 15,099           | 46,024           |
| 2004-2008                     | 154,626          | 53,926           | 208,552          |
| 2009-2013                     | <u>154,625</u>   | <u>17,976</u>    | <u>172,601</u>   |
| Total                         | <u>\$432,951</u> | <u>\$140,926</u> | <u>\$573,877</u> |

**18. 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 Spencerville Local School District as of and for the fiscal year ended June 30, 1999.

|  | <u>Food<br/>Service</u> | <u>Uniform<br/>School<br/>Supplies</u> | <u>Total<br/>Enterprise<br/>Funds</u> |
|--|-------------------------|--|---------------------------------------|
| Operating Revenues                           | \$201,749               | \$11,481                               | \$213,230                             |
| Operating Expenses                           |                         |  |                                       |
| Less Depreciation                            | 296,846                 | 26,860                                 | 323,706                               |
| Depreciation Expense                         | 2,160                   | 0                                      | 2,160                                 |
| Operating Income (Loss)                      | (97,257)                | (15,379)                               | (112,636)                             |
| Donated Commodities                          | 23,693                  | 0                                      | 23,693                                |
| Operating Grants                             | 68,859                  | 0                                      | 68,859                                |
| Interest                                     | 922                     | 0                                      | 922                                   |
| Operating Transfers In                       | 20,000                  | 0                                      | 20,000                                |
| Net Income (Loss)                            | 16,217                  | (15,379)                               | 838                                   |
| Net Working Capital                          | (2,863)                 | 17,693                                 | 14,830                                |
| Total Assets                                 | 83,782                  | 17,693                                 | 101,475                               |
| Total Equity                                 | 30,889                  | 17,693                                 | 48,582                                |
| Encumbrances Outstanding<br>at June 30, 1999 | \$ 6,083                | \$ 5,556                               | \$ 11,639                             |

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

**19. CONTRACTUAL OBLIGATIONS**

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

| <u>Company</u>            | <u>Project</u>                 | <u>Amount Remaining<br/>On Contract</u> |
|---------------------------|--------------------------------|---|
| Cotterman & Co.           | Elementary Roof                | \$9,975                                 |
| E. Lee Construction       | Masonry Project                | 74,108                                  |
| Lepi Enterprise, Inc.     | Asbestos                       | 31,725                                  |
| Sprint Electric           | Relocation of Electric Service | 4,665                                   |
| R.E.Nutt                  | Interior Work                  | 16,456                                  |
| T & D Interiors           | Flooring                       | 26,461                                  |
| Dotson Plumbing & Heating | Elementary Plumbing            | 8,735                                   |
| Cardinal Bus              | Bus                            | 16,760                                  |
| Buckeye Truck             | Bus Chassis                    | 33,910                                  |

**20. JOINTLY GOVERNED ORGANIZATIONS**

**Northwest Ohio Area Computer Services Cooperative** - The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties and Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. Financial information can be obtained from Michael Wildermuth, who serves as Director, at 645 South Main Street, Lima, Ohio 45804.

**The Apollo Joint Vocational School** is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Apollo Joint Vocational School, Greg Bukowski, who serves as Treasurer, at 3325 Shawnee Road, Lima, Ohio 45806.

**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 that are tied directly to school improvement and, in particular, to improvements in instructional programs.

The Center is governed by a fifty-two member board made up representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Brad Browne, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

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

**West Central Ohio Special Education Regional Resource Center (SERRC)** - The SERRC is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Krista Hart, Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

**21. INSURANCE POOLS**

**Allen County Schools Health Benefit Plan** - The School District participates in the Allen County Schools Health Benefit Plan (the Program), a public entity shared risk pool consisting of the school districts within Allen county. The Program 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, CoreSource, concerning aspects of the administration of the Trust.

Each school district decides which plans offered the Board of Trustees will be extended to its employees. Participation in the Program is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums. Financial information can be obtained from Don Smith, who serves as Chairman, at 204 North Main Street, Lima, Ohio 45801.

**Northwest Ohio Area Computer Service Cooperative Worker's Compensation Group Rating Program** - The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The NOACSC Workers' Compensation Group Rating Plan (the Plan) was established through the Northwest Ohio Area Computer Services Cooperative (NOACSC) as an insurance purchasing pool. The Safety Coordinator, Robert Lotz, of NOACSC, or his designee, serves as coordinator of the Plan. Each year, the participating members pay an enrollment fee to the Plan to cover the costs of administering the program.

**22. 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 \$3,088,083 of school foundation support for its general fund.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

**22. SCHOOL FUNDING (Continued)**

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

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

**23. 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 and carried forward to be used for the same purpose 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.

|   | Budget<br>Stabilization<br><u>Reserve</u> | Capital<br>Improvements<br><u>Reserve</u> | Textbooks/<br>Instructional<br>Materials<br><u>Reserve</u> | <u>Totals</u>      |
|---|---|---|--|--------------------|
| Set-aside Reserve Balance as of June 30, 1998         | \$18,733                                  | \$ 0                                      | \$ 0   | \$ 18,733          |
| Current Year Set-aside Requirement                    | 42,910                                    | 85,249                                    | 85,249   | 213,408            |
| Current Year Offsets                                  | 0   | 0   | -16,084  | -16,084            |
| Qualifying Disbursements                              | <u>0</u>                                  | <u>-770,285</u>                           | <u>-115,648</u>  | <u>-885,933</u>    |
| Total   | <u>\$61,643</u>                           | <u>\$(685,036)</u>                        | <u>\$(46,483)</u>  | <u>\$(669,876)</u> |
| Set-aside Balance Carried Forward to Fiscal Year 2000 | <u>\$61,643</u>                           | <u>\$ 0</u>                               | <u>\$ 0</u>  | <u>\$ 61,643</u>   |

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

**23. SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)**

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

**24. CONTINGENCIES**

**Grants**

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

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

| Federal Grantor/<br>Pass Through Grantor<br>Program Title | Pass<br>Through<br>Entity<br>Number | Federal<br>CFDA<br>Number | Receipts         | Non-Cash<br>Receipts | Disbursements    | Non-Cash<br>Disbursements |
|---|-------------------------------------|---------------------------|------------------|----------------------|------------------|---------------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                     |                                     |                           |                  |                      |                  |                           |
| (Passed through Ohio Department of Education)             |                                     |                           |                  |                      |                  |                           |
| Food Distribution Program                                 |                                     | 10.550                    | \$0              | \$26,681             | \$0              | \$25,032                  |
| National School Lunch Program                             | 04-PU 2000                          | 10.555                    | 70,465           | 0                    | 70,465           | 0                         |
| Total U.S. Department of Agriculture - Nutrition Cluster  |                                     |                           | 70,465           | 26,681               | 70,465           | 25,032                    |
| <b>U.S. DEPARTMENT OF EDUCATION</b>                       |                                     |                           |                  |                      |                  |                           |
| (Passed through Ohio Department of Education)             |                                     |                           |                  |                      |                  |                           |
| Title I, Part A, IASA                                     | C1-S1 1999                          | 84.010                    | 0                | 0                    | 22,546           | 0                         |
| Title I, Part A, IASA                                     | C1-S1 2000                          | 84.010                    | 118,931          | 0                    | 114,508          | 0                         |
| Total Title I   |                                     |                           | 118,931          | 0                    | 137,054          | 0                         |
| Title VI-B, Special Education Grants to States            | 6B-SF 1998                          | 84.027                    | 4,605            | 0                    | 6,291            | 0                         |
| Title VI-B, Special Education Grants to States            | 6B-SF 1999                          | 84.027                    | 55,518           | 0                    | 49,644           | 0                         |
| Total Title VI-B  |                                     |                           | 60,123           | 0                    | 55,935           | 0                         |
| Title VI, Innovative Education Program Strategies         | C2-S1 1999                          | 84.298                    | 0                | 0                    | 134              | 0                         |
| Title VI, Innovative Education Program Strategies         | C2-S1 2000                          | 84.298                    | 5,439            | 0                    | 2,824            | 0                         |
| Title VI, Innovative Education Program Strategies         | C2-S1 1999C                         | 84.298                    | 716              | 0                    | 0                | 0                         |
| Total Title VI  |                                     |                           | 6,155            | 0                    | 2,958            | 0                         |
| Drug Free Grant   | DR-S1 1999                          | 84.186                    | 0                | 0                    | 43               | 0                         |
| Drug Free Grant   | DR-S1 2000                          | 84.186                    | 4,687            | 0                    | 3,890            | 0                         |
| Total Drug Free Grant                                     |                                     |                           | 4,687            | 0                    | 3,933            | 0                         |
| Eisenhower Professional Development State Grant           | MS-S1 1998C                         | 84.281                    | 0                | 0                    | 2,500            | 0                         |
| Eisenhower Professional Development State Grant           | MS-S1 1999                          | 84.281                    | 0                | 0                    | 824              | 0                         |
| Eisenhower Professional Development State Grant           | MS-S1 1999C                         | 84.281                    | 0                | 0                    | 2,758            | 0                         |
| Eisenhower Professional Development State Grant           | MS-S1 2000                          | 84.281                    | 4,512            | 0                    | 1,065            | 0                         |
| Total Eisenhower Professional Development State Grant     |                                     |                           | 4,512            | 0                    | 7,147            | 0                         |
| Title VI R Class Size Reduction Subsidy                   | CR-S1 2000                          | 84.340                    | 20,041           | 0                    | 15,797           | 0                         |
| Goals 2000 Project Grant - Continuous Improvement         | G2-S2 1999                          | 84.276                    | 0                | 0                    | 5,000            | 0                         |
| Total U.S. Department of Education                        |                                     |                           | 214,449          | 0                    | 227,824          | 0                         |
| <b>Total Federal Assistance</b>                           |                                     |                           | <b>\$284,914</b> | <b>\$26,681</b>      | <b>\$298,289</b> | <b>\$25,032</b>           |

See accompanying notes to the schedule of federal awards expenditures



**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B--NUTRITION CLUSTER**

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 School District had no significant food commodities in inventory.

**NOTE C -- MATCHING REQUIREMENTS**

Certain Federal programs require that the School District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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JIM PETRO, AUDITOR OF STATE

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

Spencerville Local School District  
Allen County  
600 School Street  
Spencerville, Ohio 45887

To the Board of Education:

We have audited the financial statements of Spencerville Local School District (the School District) as of and for the years ended June 30, 2000 and 1999, and have issued our report thereon dated February 21, 2001. 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 School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 2000-10202-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the School District in a separate letter dated February 21, 2001.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 judgement, could adversely affect the School 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 2000-10202-002.

**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 believe the reportable condition described above is not 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 School District in a separate letter dated February 21, 2001.

This report is intended for the information and use of the audit committee, 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

February 21, 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**

Spencerville Local School District  
Allen County  
600 School Street  
Spencerville, Ohio 45887

To the Board of Education:

**Compliance**

We have audited the compliance of Spencerville Local School District (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The School District's major federal programs are 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 each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

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

**Internal Control Over Compliance**

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

**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 the audit committee, 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

February 21, 2001

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2000**

|  |
|--|
| <b>1. SUMMARY OF AUDITOR'S RESULTS</b> |
|--|

|                     |  |   |
|---------------------|--|---|
| <b>(d)(1)(i)</b>    | <b><i>Type of Financial Statement Opinion</i></b>  | Unqualified   |
| <b>(d)(1)(ii)</b>   | <b><i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i></b>         | No  |
| <b>(d)(1)(ii)</b>   | <b><i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i></b> | Yes   |
| <b>(d)(1)(iii)</b>  | <b><i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i></b>                       | Yes   |
| <b>(d)(1)(iv)</b>   | <b><i>Were there any material internal control weakness conditions reported for major federal programs?</i></b>              | No  |
| <b>(d)(1)(iv)</b>   | <b><i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i></b>      | No  |
| <b>(d)(1)(v)</b>    | <b><i>Type of Major Programs' Compliance Opinion</i></b>   | Unqualified   |
| <b>(d)(1)(vi)</b>   | <b><i>Are there any reportable findings under § .510?</i></b>  | No  |
| <b>(d)(1)(vii)</b>  | <b><i>Major Programs (list):</i></b>   | Nutrition Cluster<br>(CFDA# 10.550,<br>10.555)<br>Title I (CFDA#<br>84.010) |
| <b>(d)(1)(viii)</b> | <b><i>Dollar Threshold: Type A\B Programs</i></b>  | Type A:> \$300,000<br>Type B: all others                                    |
| <b>(d)(1)(ix)</b>   | <b><i>Low Risk Auditee?</i></b>  | No  |

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2000**

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

|                |                |
|----------------|----------------|
| Finding Number | 2000-10202-001 |
|----------------|----------------|

Ohio Rev. Code Section 5705.412 states no school district is supposed to adopt any appropriation, make any contract, give any order to expend money or increase salary schedules during any school year without attaching a "412" certificate (see exceptions below). This certificate is to be signed by the treasurer, board president, and the superintendent. The certificate provides that the school district has in effect for the remainder of the fiscal year and the two succeeding fiscal years the authorization to levy taxes which, when combined with estimated revenue from all other sources available at the time of certification, are sufficient to provide the operating revenues necessary to enable the district to operate an adequate educational program for all days in the current and succeeding fiscal year.

The certification must be attached to all negotiated agreements, contracts for benefits, increased salary or wage schedules, construction contracts, and other "significant" contracts. The School District did not attach the "412" certificate to the school construction contracts or appropriation amendments entered into during the audit period. As of the date of this report, the School District has attached the required certifications.

A school district needs to include the additional certification requirements under Section 5705.412 along with those requirements in Section 5705.41 except under the following circumstances: when issuing purchase orders; for current payrolls of, or contracts of employment with, regular employees or officers; or, when increasing the wages or salaries enabling the school board to comply with division (B) of Ohio Revised Code Section 3317.13, which addresses the minimum salary schedule for teachers. Further reference should be made to the Ohio Compliance Supplement.

|                |                |
|----------------|----------------|
| Finding Number | 2000-10202-002 |
|----------------|----------------|

**Fixed Assets**

The District currently does not have a detail listing of assets that agrees with the fixed asset amounts as recorded in the general purpose financial statements nor does it have a system in place to properly manage and record assets based on capitalization limits established. The appraisal report used to record the District's assets was not properly updated for additions or deletions and several items in the capital expenditure accounts were not recorded for this audit period. Deletions were not taken into consideration for fiscal year 2000.

Failure to implement procedures to properly record fixed assets and to maintain a complete and accurate listing of District owned assets could lead to a misstatement in the presentation of fixed assets in the general purpose financial statements, and allows for the assets to be more susceptible to misappropriation.

The District should implement an accounting system to manage the fixed asset report. If the District continues to rely on the appraisal reports for reporting, the appraisal reports should be reviewed to determine that all additions and deletions, to date, have been included. Procedures should be developed to ensure that all additions and deletions are submitted by the District, and a review process established on the appraisal report to verify that they have been properly recorded. Further, additions to fixed assets should be properly identified by appropriate category and should be able to be separated by capitalization limits and for insurance purposes.



**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2000**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

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**SPENCERVILLE LOCAL SCHOOL DISTRICT**

**ALLEN 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  
APRIL 3, 2001**