

**BIG WALNUT LOCAL
SCHOOL DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 1999**

Big Walnut Local School District

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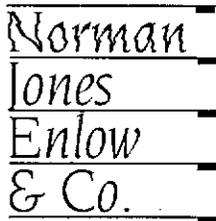
We have reviewed the independent auditor's report of the Big Walnut Local School District, Delaware County, prepared by Norman, Jones, Enlow & Co., Certified Public Accountants, for the audit period July 1, 1998 through June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Big Walnut Local School District is responsible for compliance with these laws and regulations.



JIM PETRO
Auditor of State

April 28, 2000



Certified Public Accountants
& Management Consultants

INDEPENDENT AUDITOR'S REPORT

**Board of Education
Big Walnut Local School District
Delaware County, Ohio 43201**

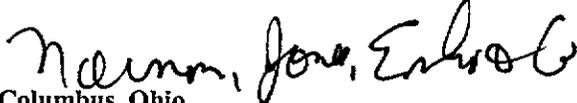
We have audited the accompanying general purpose financial statements of the Big Walnut Local School District ("the School District") as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management.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

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying *Schedule of Expenditures of Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.


Columbus, Ohio
January 14, 2000

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**BIG WALNUT LOCAL SCHOOL DISTRICT
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 AS OF JUNE 30, 1999**

**GOVERNMENTAL
 FUND TYPES**

	General Fund	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS:				
Assets:				
Equity in pooled cash and investments	\$ 2,528,510	\$ 209,856	\$ 16,198	\$ 102,254
Receivables				
Taxes - current	7,733,558	-	1,394,796	-
Taxes - delinquent	166,401	-	32,009	-
Accounts	1,689	1,204	-	-
Interfund loan receivable	325,192	-	-	-
Prepayments	-	-	-	-
Due from other funds	31,000	-	-	-
Materials and supplies inventory	-	-	-	-
Property, plant and equipment (net of accumulated depreciation, where applicable)	-	-	-	-
Other debits:				
Amount available in Debt Service Fund	-	-	-	-
Amount to be provided for retirement of General Long-term Obligations	-	-	-	-
Total assets and other debits	\$ 10,786,350	\$ 211,060	\$ 1,443,003	\$ 102,254

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

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 46,360	\$ 668	\$ 124,272	\$ -	\$ -	\$ 3,028,118
-	-	-	-	-	9,128,354
-	-	-	-	-	198,410
9,872	-	564	-	-	13,329
-	-	-	-	-	325,192
15,062	-	-	-	-	15,062
-	-	-	-	-	31,000
11,397	-	-	-	-	11,397
32,632	-	-	21,194,079	-	21,226,711
-	-	-	-	(37,607)	(37,607)
-	-	-	-	14,481,500	14,481,500
<u>\$ 115,323</u>	<u>\$ 668</u>	<u>\$ 124,836</u>	<u>\$ 21,194,079</u>	<u>\$ 14,443,893</u>	<u>\$ 48,421,466</u>

-continued

**BIG WALNUT LOCAL SCHOOL DISTRICT
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS - continued
 AS OF JUNE 30, 1999**

	GOVERNMENTAL FUND TYPES			
	General Fund	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS:				
Liabilities:				
Accounts payable	\$ 297,863	\$ 36,406	\$ -	\$ -
Accrued wages and benefits	1,303,063	20,503	-	-
Compensated absences payable	41,188	-	-	-
Interfund loans payable	-	1,653	323,539	-
Due to students	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Deferred revenue - taxes	5,632,500	-	1,157,071	-
General obligation notes payable	-	-	-	-
General obligation bonds payable	-	-	-	-
Total liabilities	7,274,614	58,562	1,480,610	-
Equity and other credits:				
Investment in general fixed assets	-	-	-	-
Contributed Capital	-	-	-	-
Retained earnings:				
Unreserved	-	-	-	-
Fund Balances:				
Reserved for encumbrances	630,085	76,358	-	479
Reserved for advances	325,192	-	-	-
Reserved - other	190,290	-	-	-
Unreserved:				
Undesignated	2,366,169	76,140	(37,607)	101,775
Total equity and other credits	3,511,736	152,498	(37,607)	102,254
Total liabilities, equity and other credits	\$ 10,786,350	\$ 211,060	\$ 1,443,003	\$ 102,254

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

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 55	\$ -	\$ 3,238	\$ -	\$ -	\$ 337,562
32,811	-	-	-	-	1,356,377
18,581	-	-	-	1,188,181	1,247,950
-	-	-	-	-	325,192
-	-	121,178	-	-	121,178
31,000	-	-	-	-	31,000
6,865	-	-	-	-	6,865
-	-	-	-	-	6,789,571
-	-	-	-	782,000	782,000
-	-	-	-	12,473,712	12,473,712
89,312	-	124,416	-	14,443,893	23,471,407
-	-	-	21,194,079	-	21,194,079
188,380	-	-	-	-	188,380
(162,369)	668	-	-	-	(161,701)
-	-	-	-	-	706,922
-	-	-	-	-	325,192
-	-	-	-	-	190,290
-	-	420	-	-	2,506,897
26,011	668	420	21,194,079	-	24,950,059
<u>\$ 115,323</u>	<u>\$ 668</u>	<u>\$ 124,836</u>	<u>\$ 21,194,079</u>	<u>\$ 14,443,893</u>	<u>\$ 48,421,466</u>

**BIG WALNUT LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
 FOR YEAR ENDING JUNE 30, 1999**

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE	Totals (Memorandum Only)
	General Fund	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$ 9,776,127	\$ -	\$ 1,577,262	\$ -	\$ -	\$ 11,353,389
Tuition	44,024	-	-	-	-	44,024
Earnings on investments	204,159	2,069	-	1,590	-	207,818
Other local revenues	88,406	49,807	-	-	-	138,213
Extracurricular revenue	37,142	117,068	-	-	-	154,210
Intermediate sources	-	12,000	-	-	-	12,000
Intergovernmental - State	5,273,934	58,872	158,429	-	-	5,491,235
Intergovernmental - Federal	-	283,503	-	-	-	283,503
Total revenues	15,423,792	523,319	1,735,691	1,590	-	17,684,392
Expenditures:						
Current:						
Instruction:						
Regular	6,825,581	50,536	-	185,255	-	7,061,486
Special	1,272,330	136,581	-	-	-	1,408,911
Vocational	282,536	-	-	-	-	282,536
Other	80,644	-	-	-	-	80,530
Support services:						
Pupil	246,138	8,670	-	-	-	254,808
Instructional staff	236,825	7,026	-	-	-	243,851
General administration	446,355	-	-	-	-	446,355
School administration	1,301,935	56,281	-	-	125	1,358,341
Fiscal	366,410	-	-	-	-	366,410
Business	5,732	-	-	-	-	5,732
Operations and maintenance	1,342,804	-	-	-	-	1,342,804
Pupil transportation	1,230,688	-	-	-	-	1,230,688
Extracurricular activities	175,189	132,169	-	-	-	307,358
Capital outlay	624,419	-	-	-	-	624,419
Debt service:						
Principal retirement	-	-	1,352,000	-	-	1,352,000
Interest and fiscal charges	-	-	728,480	-	-	728,480
Total expenditures	14,437,586	391,263	2,080,480	185,255	125	17,094,709
Excess (deficiency) of revenues over (under) expenditures	986,206	132,056	(344,789)	(183,665)	(125)	589,683
Other financing sources (uses):						
Operating transfers in	5,544	2,121	308,670	-	-	316,335
Operating transfers (out)	(316,335)	-	-	-	-	(316,335)
Proceeds of sale of fixed assets	1,893	-	-	-	-	1,893
Refund of prior year expenditures	61	-	-	-	-	61
Total other financing sources (uses)	(308,837)	2,121	308,670	-	-	1,954
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	677,369	134,177	(36,119)	(183,665)	(125)	591,637
Fund balance, July 1	2,834,367	18,321	(1,488)	285,919	545	3,137,664
Fund balance, June 30	\$ 3,511,736	\$ 152,498	\$ (37,607)	\$ 102,254	\$ 420	\$ 3,729,301

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

**BIG WALNUT LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET-ACTUAL (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR YEAR ENDING JUNE 30, 1999**

	General Fund			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 9,041,211	\$ 9,041,211	\$ -	\$ -	\$ -	\$ -
Tuition	43,424	43,424	-	-	-	-
Earnings on Investments	204,159	204,159	-	2,069	2,069	-
Other local revenues	87,812	87,812	-	48,603	48,603	-
Extracurricular revenue	37,142	37,142	-	117,068	117,068	-
Intermediate sources	-	-	-	12,000	12,000	-
Intergovernmental - State	5,273,934	5,273,934	-	58,872	58,872	-
Intergovernmental - Federal	-	-	-	277,102	283,503	6,401
Total revenues	14,687,682	14,687,682	-	515,714	522,115	6,401
Expenditures:						
Current:						
Instruction:						
Regular	7,001,397	7,001,397	-	145,536	109,382	36,154
Special	1,292,188	1,292,188	-	272,779	134,249	138,530
Vocational	285,363	285,363	-	-	-	-
Other	65,365	65,365	-	-	-	-
Support services:						
Pupil	234,485	234,485	-	39,007	6,695	32,312
Instructional staff	231,920	231,919	1	7,876	7,026	850
General administration	450,831	450,831	-	-	-	-
School administration	1,249,096	1,249,095	1	44,079	43,879	200
Fiscal	370,395	370,395	-	-	-	-
Business	11,090	11,090	-	-	-	-
Operations and maintenance	1,324,429	1,324,430	(1)	-	-	-
Pupil transportation	1,268,742	1,268,742	-	-	-	-
Extracurricular activities	171,699	171,699	-	126,123	126,123	-
Capital outlay	712,136	712,137	(1)	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	14,669,136	14,669,136	-	635,400	427,354	208,046
Excess (deficiency) of revenues over (under) expenditures	18,546	18,546	-	(119,686)	94,761	214,447
Other financing sources (uses):						
Operating transfers in	-	5,544	5,544	-	2,121	2,121
Operating transfers (out)	(316,335)	(316,335)	-	-	-	-
Advances in	-	108,832	108,832	-	-	-
Advances (out)	(243,117)	(243,117)	-	(108,832)	(108,832)	-
Proceeds of sale of fixed assets	1,893	1,893	-	-	-	-
Refund of prior years expense	-	733	733	-	-	-
Total other financing sources (uses)	(557,559)	(442,450)	115,109	(108,832)	(106,711)	2,121
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	(539,013)	(423,904)	115,109	(228,518)	(11,950)	216,568
Fund balance, July 1	2,322,329	2,322,329	-	145,446	145,446	-
Fund balance, June 30	\$ 1,783,316	\$ 1,898,425	\$ 115,109	\$ (83,072)	\$ 133,496	\$ 216,568

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

Debt Service			Capital Projects			Total (Memorandum only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ 1,445,504	\$ 1,445,504	\$ -	\$ -	\$ -	\$ -	\$ 10,486,715	\$ 10,486,715	\$ -
-	-	-	-	-	-	43,424	43,424	-
-	-	-	1,482	1,590	108	207,710	207,818	108
-	-	-	-	-	-	136,415	136,415	-
-	-	-	-	-	-	154,210	154,210	-
-	-	-	-	-	-	12,000	12,000	-
158,429	158,429	-	-	-	-	5,491,235	5,491,235	-
-	-	-	-	-	-	277,102	283,503	6,401
1,603,933	1,603,933	-	1,482	1,590	108	16,808,811	16,815,320	6,509
-	-	-	269,538	185,736	83,802	7,416,471	7,296,515	119,956
-	-	-	-	-	-	1,564,967	1,426,437	138,530
-	-	-	-	-	-	285,363	285,363	-
-	-	-	-	-	-	65,365	65,365	-
-	-	-	-	-	-	273,492	241,180	32,312
-	-	-	-	-	-	239,796	238,945	851
-	-	-	-	-	-	450,831	450,831	-
-	-	-	-	-	-	1,293,175	1,292,974	201
-	-	-	-	-	-	370,395	370,395	-
-	-	-	-	-	-	11,090	11,090	-
-	-	-	-	-	-	1,324,429	1,324,430	(1)
-	-	-	-	-	-	1,268,742	1,268,742	-
-	-	-	-	-	-	297,822	297,822	-
-	-	-	-	-	-	712,136	712,137	(1)
1,352,000	1,352,000	-	-	-	-	1,352,000	1,352,000	-
728,480	728,480	-	-	-	-	728,480	728,480	-
2,080,480	2,080,480	-	269,538	185,736	83,802	17,654,554	17,362,706	291,848
(476,547)	(476,547)	-	(268,056)	(184,146)	83,910	(845,743)	(547,386)	298,357
308,670	308,670	-	-	-	-	308,670	316,335	7,665
-	-	-	-	-	-	(316,335)	(316,335)	-
243,117	243,117	-	-	-	-	243,117	351,949	108,832
-	-	-	-	-	-	(351,949)	(351,949)	-
-	-	-	-	-	-	1,893	1,893	-
-	-	-	-	-	-	-	733	733
551,787	551,787	-	-	-	-	(114,604)	2,626	117,230
75,240	75,240	-	(268,056)	(184,146)	83,910	(960,347)	(544,760)	415,587
(59,042)	(59,042)	-	285,920	285,920	-	2,694,653	2,694,653	-
\$ 16,198	\$ 16,198	\$ -	\$ 17,864	\$ 101,774	\$ 83,910	\$ 1,734,306	\$ 2,149,893	\$ 415,587

**BIG WALNUT LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS
 ALL PROPRIETARY FUND TYPES
 FOR YEAR ENDING JUNE 30, 1999**

	PROPRIETARY FUND TYPES		Total (Memorandum only)
	Enterprise	Internal Service	
Operating revenues:			
Tuition and fees	\$ 50,107	\$ -	\$ 50,107
Sales/Charges for services	368,855	-	368,855
Other operating revenues	-	3,129	3,129
Total operating revenues	418,962	3,129	422,091
Operating expenses:			
Personal services	295,166	-	295,166
Contract services	19,149	3,472	22,621
Materials and supplies	173,440	-	173,440
Depreciation	16,842	-	16,842
Other operating expenses	791	-	791
Total operating expenses	505,388	3,472	508,860
Operating income	(86,426)	(343)	(86,769)
Nonoperating revenues (expenses):			
Operating grants	64,958	-	64,958
Total nonoperating revenues (expenses)	64,958	-	64,958
Net income	(21,468)	(343)	(21,811)
Retained earnings at July 1	(140,901)	1,011	(139,890)
Retained earnings at June 30	\$ (162,369)	\$ 668	\$ (161,701)

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

**BIG WALNUT LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR YEAR ENDING JUNE 30, 1999**

	PROPRIETARY FUND TYPES		Total (Memorandum only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from tuition and fees	\$ 50,072	\$ -	\$ 50,072
Cash received from sales/service charges	368,855	-	368,855
Cash received from other operations	-	3,129	3,129
Cash payments for personal services	(261,175)	-	(261,175)
Cash payments for contract services	(19,149)	(3,472)	(22,621)
Cash payments for supplies and materials	(173,800)	-	(173,800)
Cash payments for other expenses	(646)	-	(646)
Net cash provided by (used for) operating activities	(35,843)	(343)	(36,186)
Cash flows from noncapital financing activities:			
Cash received from operating grants	64,463	-	64,463
Net cash provided by (used for) noncapital financing activities	64,463	-	64,463
Cash flows from capital and related financing activities:			
Acquisition/Disposition of capital assets	(143)	-	(143)
Net cash used for capital and related financing activities	(143)	-	(143)
Net increase (decrease) in cash and cash equivalents	28,477	(343)	28,134
Cash and cash equivalents at beginning of year	17,883	1,011	18,894
Cash and cash equivalents at end of year	\$ 46,360	\$ 668	\$ 47,028
Reconciliation of operating income to net cash provided by (used for) operating activities:			
Operating income (loss)	(86,426)	(343)	(86,769)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation	16,842	-	16,842
Adjustments to capital outlay	145	-	145
Other adjustments to non-operating income	9,837	-	9,837
Changes in assets and liabilities:			
Supplies inventory	(1,363)	-	(1,363)
Accounts receivable/Due from oth. governments	(9,872)	-	(9,872)
Prepayments	14,070	-	14,070
Accounts payable	55	-	55
Accrued wages and benefits	18,517	-	18,517
Compensated absences payable	1,404	-	1,404
Deferred revenue	948	-	948
Net cash provided by (used for) operating activities	\$ (35,843)	\$ (343)	\$ (36,186)

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

Big Walnut Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 1 - Description of the School District and Reporting Entity

Big Walnut Local School District ("the School District") is a body politic and corporate that is established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the School District's seven instructional/support facilities staffed by 92 noncertified and 155 certified full time teaching personnel who provide services to 2,670 students and other community members.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure 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 Big Walnut 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 for the organization. The School District has no component units.

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

Townships of Genoa, Berkshire, Porter, Harlem, Kingston, and Trenton Township governments are separate bodies politic and corporate. A board of trustees and clerk are elected independent of any School District relationships and administer the traditional township services. The Trustees act as the taxing and budgeting authority for these services.

Big Walnut Education Foundation The Big Walnut Education Foundation is a non-profit association established in 1994 to operate exclusively for charitable, scientific, educational and literary purposes to promote excellence at Big Walnut Schools. Nine trustees were originally appointed by the Board of Education; however, after initial terms, one appointee of the Board will continue to be a trustee. The Board of Trustees will select the remaining trustees at the annual meeting. The School District cannot abolish the organization, nor is it financially accountable for the Foundation.

Villages of Sunbury and Galena The villages of Sunbury and Galena are separate bodies politic and corporate. A mayor and council are elected independent of any school district relationships, and administer the provision of traditional village services. Council acts as the taxing and budgeting authority for these village services.

Big Walnut Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Delaware Joint Vocational School Big Walnut Local School District is a member of the Delaware Joint Vocational School District which serves fourteen districts. Students may elect to attend classes offered at the vocational school. The Delaware JVS is a legal entity separate from Big Walnut Local Schools. They have a Board of Education that acts as the taxing and budgeting authority for the school.

Big Walnut Education Association and Big Walnut Professional Support Staff These employee associations are affiliated with the Ohio Education Association (OEA) and are organized to represent the employees of the bargaining unit. The local school district is not involved in their operations.

Ohio Association of Public School Employees Local 696 and Ohio Association of Public School Employees Local 524 These employee associations are affiliated with the Ohio Association of Public School Employees (OAPSE) and are organized to represent the employees of the bargaining unit. The local school district is not involved in their operations.

P.T.A., P.T.O., and Athletic/Music Boosters These organizations exist to support various endeavors of the School District through donations of time and other resources. Although the School District benefits directly from the activities, the School District neither manages nor directs the operations nor provides financial support to these groups.

The School District is associated with one jointly governed organization, one related organization and two public entity risk pools. These organizations are discussed in Note 18 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

Tri-Rivers Education Computer Association

Related Organization:

Sunbury Community Library

Public Entity Risk Pools:

Ohio School Boards Association Workers' Compensation Group Rating Program
CDMU Health Benefits Program

Note 2 - Summary of Significant Accounting Policies

The financial statements of Big Walnut 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, 1999, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the School District's accounting policies are described below.

Big Walnut Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report 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. A fund also accounts for 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 regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

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

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

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

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

Debt Service Funds Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

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

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

Big Walnut Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Internal Service Funds Internal Service Funds account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Fiduciary Fund 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. The School District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

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

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

B. Measurement Focus and Basis of Accounting

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

All proprietary fund types and non-expendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

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

Big Walnut Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when 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 proprietary fund types utilize the accrual basis of accounting for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as miscellaneous income. Unused donated commodities are reported as deferred revenue.

C. Budgetary Data

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

The budgeting of Advances in and Advances out is not required since they represent a temporary cash flow resource and the intent is to repay.

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 County Budget Commission for rate determination.

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

Big Walnut Local School District
Notes to the General Purpose Financial Statements
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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. Any revisions that alter the total of any fund appropriations 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. The budget figures that 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.

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. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations At the close of each 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 Treasurer is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this pool 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.

Investments are stated at cost, which approximates market value. Investment earnings are allocated as authorized by State statute based upon School District policy.

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.

Big Walnut Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

E. Inventory

Inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and supplies held for resale and are expended when used. The School District does not hold material amounts of inventory in governmental funds.

F. Prepaid Items

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

G. Fixed Assets and Depreciation

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

Improvements are capitalized. 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. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the General Fixed Assets Account Group are not depreciated. Depreciation of furniture and equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of ten years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

H. Intergovernmental Revenues

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

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

Entitlements

General Fund

State Foundation Program
School Bus Purchase
State Property Tax Relief

Big Walnut Local School District
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Non-Reimbursable Grants

Special Revenue Funds

Title VI-B
Eisenhower Grant
Title I
Title VI
Drug Free Schools
Preschool
Educational Management Information System
Professional Development

Capital Projects Funds

School Net
School Net Plus

Reimbursable Grants

General Fund

Driver Education

Capital Projects Funds

Vocational Education Equipment

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 38% percent of governmental fund revenue during the 1999 fiscal year.

I. Interfund Assets/Liabilities

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

J. Compensated Absences

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

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

Big Walnut Local School District
Notes to the General Purpose Financial Statements
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policy. The School District records a liability for accumulated unused sick leave for classified employees after 5 years of current service with the School District and for certified employees and administrators after 5 years of service.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the General Long-Term Obligations Account Group. In 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 judgments, 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 expendable available financial resources. In general, amounts paid more than sixty days after year-end are considered not to have been paid with current available financial resources. Bonds and capital leases are recognized 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.

Under Ohio law, a debt retirement fund must be created and used for the payment of tax anticipation notes. Generally accepted accounting principles require the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the activity of the School District's Debt Service Fund has been split among the appropriate funds. Debt Service Fund resources used to pay both principal and interest have also been allocated accordingly.

L. Bond Premiums and Discounts

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as Debt Service expenditures.

M. 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.

Big Walnut Local School District
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N. Fund Balance Reserves

The School District reserves fund balance for amounts that are legally segregated for a specific purpose or which are not available for appropriation. Unreserved fund balance indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

O. Contributed Capital

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

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1991, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

P. Total Columns on General Purpose Financial Statements

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

Note 3 - Accountability and Compliance

A. Fund Deficits

The following funds had deficit fund balance/retained earnings at June 30, 1999:

	Deficit Fund Balance/ <u>Retained Earnings</u>
Special Revenue Funds	
Title I	\$ 15,681
Preschool	1,975
Debt Service Funds	
Debt Service	37,607
Enterprise	
Food Service	168,710

The deficits in the funds resulted from expenditures made in excess of available revenues. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals

Big Walnut Local School District
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occur. There were no cash basis fund deficits; all deficits resulted from the application of generally accepted accounting principles as applied to governmental units.

Note 4 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. Proceeds from and principal payment on bond and tax anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
5. The School District repays short-term note debt from the Debt Service Fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt Service Fund resources used to pay both principal and interest have been allocated accordingly.

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

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$ 677,369	\$ 134,177	\$ (36,119)	\$ (183,665)
Revenue Accruals	(736,110)	(1,204)	(131,758)	-0-
Expenditure Accruals	398,535	40,268	-0-	-0-
Other Sources (Uses)	(133,613)	(108,833)	243,117	-0-
Encumbrances	(630,085)	(76,358)	-0-	(481)
Budget Basis	<u>\$ (423,904)</u>	<u>\$ (11,950)</u>	<u>\$ 75,240</u>	<u>\$ (184,146)</u>

Big Walnut Local School District
Required Supplementary Information
For the Fiscal Year Ended June 30, 1999

Note 5 - Deposits and Investments

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

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

Inactive deposits are public deposits 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 pass book 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 any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. 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);

Big Walnut Local School District
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7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

During fiscal year 1999, the School District's investments were limited to overnight repurchase agreements, and STAR Ohio. During the fiscal year, all investments of the School District had a maturity of two years or less.

At fiscal year end, the School District had \$225 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

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 \$68,257 and the bank balance was \$17,721. The entire balance was covered by federal depository insurance. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the School District to a successful claim by the FDIC.

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. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 2	Category 3	Carrying Value	Market Value
Repurchase Agreement	\$ -0-	\$ 2,905,000	\$ 2,905,000	\$ 2,995,120
STAR Ohio			55,083	55,083
Totals			<u>\$ 2,960,083</u>	<u>\$ 3,050,203</u>

Big Walnut Local School District
Required Supplementary Information
For the Fiscal Year Ended June 30, 1999

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:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$ 3,028,115	\$ -0-
Cash on Hand	225	-0-
Investments:		
Repurchase Agreements	(2,905,000)	2,905,000
STAR Ohio	(55,083)	55,083
GASB Statement 3	\$ 68,257	\$ 2,960,083

Note 6 - Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. 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 thirty-five 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 eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five 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 twenty-five percent of true value. The assessed values upon which the fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$ 252,062,960	84.48%	\$ 263,452,450	84.75%
Public Utility Personal	15,701,790	5.26	15,867,770	5.10
Tangible Personal Property	30,609,840	10.26	31,529,539	10.15
Total	\$ 298,374,590	100.00%	\$ 310,849,759	100.00%
Tax rate per \$1,000 of assessed valuation	\$27.55		\$27.38	

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes that 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 year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999 was \$1,544,584 and is recognized as revenue. \$1,274,850 was available to the General Fund and \$269,734 was available to the Debt Service Fund.

Note 7 - Income Tax

The School District levies a voted tax of 3/4 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1995, 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.

Note 8 - Receivables

Receivables at June 30, 1999, consisted of taxes, accounts (rent and tuition), interfund and intergovernmental grants. All receivables are considered collectible in full, due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. As of June 30, 1999, current taxes receivable consist of property taxes of \$6,740,949 and income taxes of \$992,609.

A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
General Fund:	
Tuition and Fees	\$ 1,689
Total General Fund	1,689
Enterprise Funds:	
Intergovernmental	9,872
Total Enterprise Funds	9,872
Total Intergovernmental Receivables	\$ 11,561

Big Walnut Local School District
Required Supplementary Information
For the Fiscal Year Ended June 30, 1999

Note 9 - Fixed Assets

A summary of the Enterprise Funds' fixed assets at June 30, 1999 follows:

Furniture and Equipment	\$ 303,330
Less: Accumulated Depreciation	<u>(270,698)</u>
Net Fixed Assets	<u>\$ 32,632</u>

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

	Balance 6/30/98	Additions	Deductions	Balance 6/30/99
Land and Improvements	\$ 481,734	\$ -0-	\$ -0-	\$ 481,734
Buildings	16,973,209	-0-	-0-	16,973,209
Vehicles	1,447,572	284,156	(238,963)	1,492,765
Furniture and Equipment	1,592,530	653,841	-0-	2,246,371
Total General Fixed Assets	<u>\$ 20,495,045</u>	<u>\$ 937,997</u>	<u>\$ (238,963)</u>	<u>\$ 21,194,079</u>

Note 10 - Risk Management

1. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 1999, the School District contracted with Nationwide Insurance for property and general liability insurance. There is a \$1,000 deductible with a one hundred percent blanket, all risk policy. Nationwide Insurance covers the boiler and machinery with a \$1,000 deductible and a \$39,996,300 limit.

Professional liability is protected by The Nationwide Insurance Company with a \$1,000,000 single occurrence limit and \$5,000,000 aggregate and a \$1,000 deductible. Vehicles are covered by Nationwide Insurance and hold a \$250 deductible for comprehensive and collision. Automobile liability has a \$2,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past five years. There have been no significant reductions in insurance coverage from last year.

2. Workers' Compensation

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 23). 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. Participation in the GRP is limited to school

Big Walnut Local School District
Required Supplementary Information
For the Fiscal Year Ended June 30, 1999

districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

3. Employee Medical Benefits

As of January 1, 1995, the School District has contracted with CDMU Insurance Consortium to provide employee medical/surgical benefits (Note 23). Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. Depending on the plan selected, employees may share the cost of the monthly premium with the Board. Dental insurance is also provided by the School District to all employees through the CDMU Consortium. For fiscal year 1999, the School District's cost was \$54.32 for family coverage and \$20.89 for single coverage per employee per month. Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance. The CDMU Insurance Consortium Board of Directors has the right to return monies to an exiting school district subsequent to the settlement of all expenses and claims.

Note 11 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute 14 percent; for fiscal year 1999, 10.5 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 contribution for pension obligations to SERS for the fiscal year ended June 30, 1999, 1998, and 1997 was \$246,998, \$226,208, and \$214,084, respectively.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system 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. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 12 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

Big Walnut Local School District
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For the Fiscal Year Ended June 30, 1999

contribution for pension obligations to STRS for the fiscal year ended June 30, 1999, 1998, and 1997 was \$962,403, \$907,166, and \$838,489, respectively.

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, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 - Postemployment Benefits

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

For STRS, all benefit recipients are required to pay a portion of health care costs 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 two percent of covered payroll to the Health Care Reserve Fund, for which payments for health care benefits are paid. For the School District, this amount equaled \$137,486 during the 1999 fiscal year. As of July 1, 1999, eligible benefit recipients totaled 95,796. For the 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 6.30 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 \$111,149 during the 1999 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.

Note 13 - Other 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-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who are not on a twelve month contract do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick

Big Walnut Local School District
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For the Fiscal Year Ended June 30, 1999

leave may be accumulated up to a maximum of 240 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 55 days.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through the CDMU Health Benefits Program. Administrators receive coverage in the amount of double their salary, rounded to the nearest \$1,000. Coverage in the amount of \$20,000 is provided for all certified and noncertified employees.

Note 14 - Note Debt

The School District's note activity, including amounts outstanding and interest rates follow:

	Balance 6/30/98	Additions	Deletions	Balance 6/30/99
Energy Conservation – 5.30%	\$ 695,000	\$ -0-	\$ (85,000)	\$ 610,000
Income Tax – 5.75%	344,000	-0-	(172,000)	172,000
Totals	<u>\$1,039,000</u>	<u>\$ -0-</u>	<u>\$ (257,000)</u>	<u>\$ 782,000</u>

The annual requirements to amortize all long-term debt outstanding as of June 30, 1999:

Year Ending June 30	Energy Conservation Note	Income Tax Note
2000	\$ 85,000	\$ 172,000
2001	85,000	-0-
2002	85,000	-0-
2003	85,000	-0-
2004	85,000	-0-
Thereafter	185,000	-0-
Total	<u>\$ 610,000</u>	<u>\$ 172,000</u>

Big Walnut Local School District
Required Supplementary Information
For the Fiscal Year Ended June 30, 1999

Note 15 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 1999, were as follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
General Obligation Bonds:				
School Building 6.59%	\$ 8,574,903	\$ -0-	\$ (730,000)	\$ 7,844,903
Community Library Refunding 4.85%	1,385,915	-0-	(100,000)	1,285,915
Refunding Bonds 1991 & 1992	3,607,894	-0-	(265,000)	3,342,894
Compensated Absences	1,192,212	-0-	(4,031)	1,188,181
Total General Long-Term Obligations	\$ 14,760,924	\$ -0-	\$(1,099,031)	\$ 13,661,893

The general obligation bonds will be paid from the Debt Service Fund.

Compensated absences will be paid from the fund from which the person is paid.

The School District's voted legal debt margin was \$15,502,766 with an unvoted debt margin of \$310,850 at June 30, 1999. Principal and interest requirements to retire general obligation bonds and notes outstanding at June 30, 1999 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	\$ 935,000	\$ 617,360	\$ 1,552,360
2001	965,000	571,775	1,536,775
2002	1,055,000	522,810	1,577,810
2003	1,110,000	469,000	1,579,000
2004	545,239	1,153,836	1,699,075
2005-2009	3,583,525	4,288,338	7,871,863
2010-2014	3,669,948	2,585,957	6,255,905
2015-2016	610,000	22,950	632,950
Total	\$ 12,473,712	\$ 10,232,026	\$ 22,705,738

Note 16 - Interfund Receivables/Payables

At June 30, 1999, the Debt Service and the Title VI-B funds had interfund payables in the amounts of \$323,539 and \$1,653, respectively. The General Fund had an interfund receivable of \$325,192.

Big Walnut Local School District
Required Supplementary Information
For the Fiscal Year Ended June 30, 1999

Note 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 in a summarized format the more significant financial data relating to the Enterprise Funds of the School District as of and for the fiscal year ended June 30, 1999.

	Food Service	Adult Education	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$ 368,855	\$ 3,870	\$ 46,237	\$ 418,962
Depreciation	16,842	-0-	-0-	16,842
Operating Income (Loss)	(97,198)	2,520	8,252	(86,426)
Operating Grants	64,958	-0-	-0-	-0-
Operating Transfers In	-0-	-0-	-0-	-0-
Operating Transfers Out	-0-	-0-	-0-	-0-
Net Income (Loss)	(32,240)	2,520	8,252	(21,468)
Current Capital Contributions	-0-	-0-	-0-	-0-
Fixed Asset Additions	-0-	-0-	-0-	-0-
Fixed Asset Deletions	-0-	-0-	-0-	-0-
Net Working Capital	18,040	2,520	3,819	24,379
Total Assets	108,929	2,520	3,874	115,323
Long-Term Compensated Absences Payable	-0-	-0-	-0-	-0-
Total Equity	19,672	2,520	3,819	26,011
Encumbrances Outstanding	-0-	-0-	-0-	-0-

Note 18 - Jointly Governed Organizations, Related Organization and Public Entity Risk Pools

A. Jointly Governed Organizations

Tri-Rivers Educational Computer Association (TRECA) is a jointly governed organization among eighteen school districts. The jointly governed 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 districts. The legislative and advisory body is the assembly that is comprised of the superintendents of the participating schools. The degree of control exercised by any participating school district is limited to its representation on the assembly, which elects the board of directors. The board of directors exercises total control over the operation of TRECA including budgeting, appropriating, contracting and designating management. The six member board of directors consists of four superintendents and the Tri-Rivers JVSD Superintendent and Treasurer. All revenues are generated from State funding and an annual fee charged to participating districts. The School District paid \$48,693 to TRECA during fiscal year 1999. The Tri-Rivers JVSD is the fiscal agent of TRECA. Financial information can be obtained by writing to the Tri-Rivers JVSD, 2222 Marion-Mt.Gilead Rd., Marion, Ohio 43302.

B. Related Organization

The Public Library is a related organization to Big Walnut Local School District. The School Board members are responsible for appointing the trustees of the Public Library; however, the School Board cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden to Big Walnut Local School District. Although the School District does serve as the taxing authority and may issue tax

Big Walnut Local School District
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For the Fiscal Year Ended June 30, 1999

related debt on behalf of the Library, its role is limited to a ministerial function. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the School District must place the levy on the ballot. The Library may issue debt and determines its own budget. The Library did not receive any funding from the School District during fiscal year 1999.

C. Public Entity Risk Pools

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

The CDMU Health Benefits Program is a shared risk pool, with participants from Champaign, Delaware, Morrow and Union Counties. The Council is governed by an assembly which consists of one representative from each participant (usually the superintendent or designee). The assembly elects officers for two year terms to serve as the Board of Directors. The assembly exercises control over the operation of the consortium. All consortium revenues are generated from charges for services. Financial information can be obtained by writing to CDMU Health Benefits Program, 4565 Columbus Pike, Delaware, Ohio 43015.

Note 19 - 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 that system. Declared unconstitutional was the State's "school foundation program" which provides significant amounts of monetary support to the School District. For the fiscal year ended June 30, 1999, the School District received \$4,184,003 in school foundation support for its General Fund, and \$5,491,235 in total (all funds) support. As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision will have on its future State foundation funding.

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

In addition, the Court declared the spending reserve borrowing program, the emergency school loan assistance program, and the classroom facilities program unconstitutional; the School District is not currently participating in these programs.

The spending reserve program allowed the School District to borrow against amounts anticipated to be collected from tangible personal property taxes after the School District's June 30 fiscal year end. State statute has recently been amended to gradually decrease the annual amount that may be borrowed under this program. The need for continued borrowing will depend on the level of funding adopted by the State legislature in

Big Walnut Local School District
Required Supplementary Information
For the Fiscal Year Ended June 30, 1999

response to the Supreme Court decision.

The emergency school loan program allowed the School District to borrow money from a commercial financial institution with repayment going directly to the lender from the State through withholding a portion of the School District's future school foundation payments.

The classroom facilities program provided money for the repairing and upgrading the School District's physical plant.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision will have on its financial operations.

Note 20 - Contingencies

A. Grants

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

B. Litigation

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

Note 21 – Statutory Reserves

The School District is required by state law to set aside certain General Fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity (cash basis) was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance 7/1/1998	\$ -0-	\$ -0-	\$ 71,694	\$ 71,694
Required Set-Aside	237,192	237,192	118,596	592,980
Offset Credits	(0)	(0)	(0)	(0)
Qualifying Expenditures	<u>(237,192)</u>	<u>(237,192)</u>	<u>(0)</u>	<u>(474,384)</u>
Balance 6/30/1999	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 190,290</u>	<u>\$ 190,290</u>

Big Walnut Local School District
Required Supplementary Information
For the Fiscal Year Ended June 30, 1999

Note 22 - Subsequent Event(s)

There were no significant subsequent events.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education
Big Walnut School District
Delaware County, Ohio 43201

We have audited the general purpose financial statements of the Big Walnut School District, Delaware County, Ohio ("the School District"), as of and for the year ended June 30, 1999, and have issued our report thereon dated January 14, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Big Walnut Local School District in a separate letter dated March 21, 2000.

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



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January 14, 2000
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216 Bradenton Ave.
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Big Walnut School District
Delaware County, Ohio 43201

Compliance

We have audited the compliance of Big Walnut 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, 1999. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. 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, 1999.

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with the 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*.

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

Neuman, Jones, Ecker & Co

Columbus, Ohio
January 14, 2000

**BIG WALNUT LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1999**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of Big Walnut Local School District.
2. No reportable conditions disclosed during the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. There were no instances of noncompliance to the financial statements of Big Walnut Local School District disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs is reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with *OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs for Big Walnut Local School District expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for Big Walnut Local School District are reported in Part C. of this Schedule.
7. The programs tested as major programs included: Education Consolidation and Improvement Act of 1981 Chapter I, CFDA #84.010; Innovative Education Program Strategies, CFDA #84.151; and Safe and Drug-Free Schools and Communities - State Grants, CFDA #84.186.
8. The threshold for distinguishing Types A and B programs was the larger of \$300,000 or 3% (.03) of total federal awards expended.
9. Big Walnut Local School District was determined to be a high-risk audit entity.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

**BIG WALNUT LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 1999**

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements/ Expenditures</u>	<u>Non-Cash Disbursement</u>
U.S. DEPARTMENT OF AGRICULTURE						
Passed through Ohio Department of Education:						
Nutrition Cluster:						
Food Distribution	03-PU00	10.550		\$ -		\$ 16,033
National School Lunch Program	04-PU00	10.555	<u>\$ 61,259</u>		<u>\$ 61,259</u>	
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>\$ 61,259</u>	<u>\$ -</u>	<u>\$ 61,259</u>	<u>\$ 16,033</u>
U.S. DEPARTMENT OF EDUCATION						
Passed through Ohio Department Education:						
Special Education Cluster:						
Handicapped Preschool and School Program-Title VI-B						
	PG-S197	84.027	\$ 71,907	-	\$ 71,023	-
Presidential Grant	MS-S197	84.173	<u>9,633</u>	-	<u>8,749</u>	-
Total Special Education Cluster			<u>81,540</u>	-	<u>79,772</u>	-
Education Consolidation and Improvement Act of 1981 Chapter I						
	C1-S197	84.010	\$ 169,464	\$ -	\$ 167,799	\$ -
Innovative Education Program Strategies	C2-S197	84.298	9,942	-	4,766	-
Eisenhower Math and Science		84.281	8,840	-	8,900	-
Safe and Drug Free Schools		84.186	<u>13,815</u>	-	<u>14,954</u>	-
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>202,061</u>	-	<u>196,419</u>	-
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 344,860</u>	<u>\$ -</u>	<u>\$ 337,450</u>	<u>\$ 16,033</u>

See auditors' report on schedule of federal awards

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A – Significant Accounting Policies

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

NOTE B – National School Lunch Program

This is a reimbursement grant, therefore, revenues are considered expended when received.

NOTE C – Food Distribution

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed and are not reflected in the accompanying financial statements.

**BIG WALNUT LOCAL SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1999**

1998 Temporary and Final Appropriations

Condition: This was a noncompliance finding because the School District's temporary appropriations for the Trust & Agency funds exceeded estimated resources and the School District's amended and final appropriations for the Debt Service and Internal Service Funds exceeded amended and final estimated resources.

Recommendation: The auditor recommended that the School District manage the appropriation process prudently to ensure that appropriations do not exceed estimated resources.

Current Status: Control Implemented.

1998 Expenditures Exceeded Total Appropriations

Condition: This was a noncompliance finding because actual expenditures exceeded total appropriations in the Special Revenue Fund.

Recommendation: The auditor recommended that the School District affirm the controls are in place and operating correctly to ensure that money is not expended which is not appropriated.

Current Status: Control Implemented.

1998 412 Certificates

Condition: This was a noncompliance finding because the approval of permanent appropriations, approval of a contract to replace the middle school's roof and approval of tentative agreements negotiated between the School District and OAPSE local #696 (food service), OAPSE local #524 (maintenance, transportation, custodial) and Big Walnut Education Association (teachers), no 412 certificates were issued.

Recommendation: The auditor recommended that the School District affirm that controls are in place and operating correctly to ensure that a 412 certificate is executed as required when adopting appropriations, letting contracts, expending money or increasing salary schedules during the school year.

Current Status: Control Implemented.

1998 Fixed Assets

Condition: This was a reportable condition finding because the School District has not maintained adequate safeguards over fixed assets. The School District has disposed fixed assets without documentation.

Recommendation: The auditor recommended that the School District maintain documentation and comply with public notice as applicable. Additionally, the School District should take annual fixed asset inventory on a sample basis to continue forward from the inventory taken at June 30, 1998.

Current Status: Control Implemented.



STATE OF OHIO
OFFICE OF THE AUDITOR

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BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE 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.

By: Susan Babbitt

Date: MAY 9, 2000