



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Celina City School District
Mercer County
585 East Livingston Street
Celina, Ohio 45822

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 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.

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

Jim Petro
Auditor of State

January 7, 2000

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$2,354,749	\$481,040	\$367,246	\$228,624
Investments	0	0	0	0
<u>Receivables:</u>				
Property Taxes	7,308,487	0	1,109,810	0
Income Taxes	784,394	0	0	261,465
Accounts	1,609	2,952	0	422
Intergovernmental	561	64,967	0	0
Accrued Interest	7,197	0	0	2,399
Due from Other Fund	2,464	0	0	0
Interfund Receivable	210,514	0	0	0
Prepaid Items	143,499	7,624	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
<u>Restricted Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	285,869	0	0	151,472
Cash and Cash Equivalents in Segregated Accounts	0	0	0	35,893
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$11,099,343</u>	<u>\$556,583</u>	<u>\$1,477,056</u>	<u>\$680,275</u>
<u>Liabilities, Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$86,042	\$24,137	\$0	\$7,450
Contracts Payable	92,309	0	0	1,401
Accrued Wages and Benefits	1,636,754	132,633	0	0
Compensated Absences Payable	79,905	4,329	0	0
Due to Other Funds	0	2,464	0	0
Interfund Payable	0	158,863	0	0
Intergovernmental Payable	272,199	32,712	0	0
Deferred Revenue	7,308,487	0	1,109,810	0
Due to Students	0	0	0	0
Accrued Interest Payable	0	0	0	3,106
Notes Payable	0	0	0	100,000
<u>Liabilities Against Restricted Assets:</u>				
Retainage Payable	0	0	0	35,893
Energy Conservation Loan Payable	0	0	0	0
Asbestos Removal Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>9,475,696</u>	<u>355,138</u>	<u>1,109,810</u>	<u>147,850</u>
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings (Deficit)	0	0	0	0
<u>Fund Balance:</u>				
Reserved for Encumbrances	1,626,780	209,480	0	160,638
Reserved for Textbooks and Instructional Supplies	0	0	0	151,472
Reserved for Bus Purchases	47,582	0	0	0
Reserved for Budget Stabilization	238,287	0	0	0
Designation for Textbooks and Instruction Supplies	70,928	0	0	0
Designation for Capital Improvements	26,410	0	0	0
Undesignated (Deficit)	(386,340)	(8,035)	367,246	220,315
Total Fund Equity (Deficit) and Other Credits	<u>1,623,647</u>	<u>201,445</u>	<u>367,246</u>	<u>532,425</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$11,099,343</u>	<u>\$556,583</u>	<u>\$1,477,056</u>	<u>\$680,275</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Type		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Obligations	
\$296,275	\$323,265	\$505,967	\$0	\$0	\$4,557,166
0	101,043	0	0	0	101,043
0	0	0	0	0	8,418,297
0	0	0	0	0	1,045,859
427	0	0	0	0	5,410
38,205	0	18,782	0	0	122,515
0	3,106	0	0	0	12,702
0	0	0	0	0	2,464
0	0	0	0	0	210,514
7,299	11,932	0	0	0	170,354
156,145	0	0	0	0	156,145
4,586	0	0	0	0	4,586
0	0	0	0	0	437,341
0	0	0	0	0	35,893
279,622	0	0	32,907,670	0	33,187,292
0	0	0	0	367,246	367,246
0	0	0	0	17,720,661	17,720,661
<u>\$782,559</u>	<u>\$439,346</u>	<u>\$524,749</u>	<u>\$32,907,670</u>	<u>\$18,087,907</u>	<u>\$66,555,488</u>
\$2,809	\$0	\$2,230	\$0	\$0	\$122,668
0	0	0	0	0	93,710
63,706	0	4,623	0	0	1,837,716
1,414	1,611,912	6,061	0	5,916	1,709,537
0	0	0	0	0	2,464
0	0	51,651	0	0	210,514
55,582	88,008	211,184	0	139,076	798,761
13,800	0	0	0	0	8,432,097
0	0	101,646	0	0	101,646
0	0	0	0	0	3,106
0	0	0	0	0	100,000
0	0	0	0	0	35,893
0	0	0	0	765,000	765,000
0	0	0	0	417,008	417,008
0	0	0	0	16,760,907	16,760,907
<u>137,311</u>	<u>1,699,920</u>	<u>377,395</u>	<u>0</u>	<u>18,087,907</u>	<u>31,391,027</u>
0	0	0	32,907,670	0	32,907,670
189,206	0	0	0	0	189,206
456,042	(1,260,574)	0	0	0	(804,532)
0	0	23,734	0	0	2,020,632
0	0	0	0	0	151,472
0	0	0	0	0	47,582
0	0	0	0	0	238,287
0	0	0	0	0	70,928
0	0	0	0	0	26,410
0	0	123,620	0	0	316,806
<u>645,248</u>	<u>(1,260,574)</u>	<u>147,354</u>	<u>32,907,670</u>	<u>0</u>	<u>35,164,461</u>
<u>\$782,559</u>	<u>\$439,346</u>	<u>\$524,749</u>	<u>\$32,907,670</u>	<u>\$18,087,907</u>	<u>\$66,555,488</u>

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

	Governmental Funds Types				Fiduciary Fund Type	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
Revenues:						
Property Taxes	\$7,036,479	\$0	\$1,184,458	\$197,748	\$0	\$8,418,685
Income Taxes	1,964,092	0	62,400	617,364	0	2,643,856
Intergovernmental	9,929,645	1,783,700	126,441	11,881	0	11,851,667
Interest	208,529	2,595	29,921	59,028	5,377	305,450
Tuition and Fees	703,236	0	0	52	0	703,288
Extracurricular Activities	0	203,005	0	0	0	203,005
Gifts and Donations	1,475	6,346	0	0	10,490	18,311
Customer Services	147,467	0	0	0	0	147,467
Miscellaneous	82,053	118,688	0	5,400	7,228	213,369
Total Revenues	20,072,976	2,114,334	1,403,220	891,473	23,095	24,505,098
Expenditures:						
Current:						
Instruction:						
Regular	9,076,615	143,918	0	512,681	0	9,733,214
Special	1,440,660	450,591	0	0	0	1,891,251
Vocational	1,024,303	71,041	0	16,386	0	1,111,730
Adult/Continuing	0	77,244	0	0	0	77,244
Other	137,072	73,199	0	0	0	210,271
Support Services:						
Pupils	1,123,285	319,284	0	1,930	0	1,444,499
Instructional Staff	554,855	179,432	0	13,450	0	747,737
Board of Education	64,157	0	0	0	0	64,157
Administration	1,242,302	162,442	0	2,819	400	1,407,963
Fiscal	459,778	2,300	27,393	13,487	0	502,958
Business	100,227	7,656	0	0	0	107,883
Operation and Maintenance of Plant	1,874,217	24,417	0	919,874	0	2,818,508
Pupil Transportation	813,574	133,646	0	0	0	947,220
Central	1,329	30,042	0	0	16,506	47,877
Operation of Non-Instructional Services	18,031	161,572	0	0	0	179,603
Extracurricular Activities	340,761	170,883	0	0	0	511,644
Capital Outlay	30,570	18,988	0	2,010,985	0	2,060,543
Intergovernmental	0	13,750	0	0	0	13,750
Debt Service:						
Principal Retirement	0	0	528,896	0	0	528,896
Interest and Fiscal Charges	0	0	901,117	6,442	0	907,559
Total Expenditures	18,301,736	2,040,405	1,457,406	3,498,054	16,906	25,314,507
Excess of Revenues Over (Under) Expenditures	1,771,240	73,929	(54,186)	(2,606,581)	6,189	(809,409)
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	1,625	0	0	8,020	0	9,645
Operating Transfers In	0	2,934	0	0	0	2,934
Operating Transfers Out	(2,934)	0	0	0	0	(2,934)
Total Other Financing Sources (Uses)	(1,309)	2,934	0	8,020	0	9,645
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,769,931	76,863	(54,186)	(2,598,561)	6,189	(799,764)
Fund Balance at Beginning of Year	(201,284)	179,582	421,432	3,130,986	141,165	3,671,881
Residual Equity Transfers	55,000	(55,000)	0	0	0	0
Fund Balance at End of Year	\$1,623,647	\$201,445	\$367,246	\$532,425	\$147,354	\$2,872,117

See accompanying notes to the general purpose financial statements

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

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$7,042,050	\$7,036,479	(\$5,571)	\$0	\$0	\$0
Income Taxes	1,600,000	1,599,298	(702)	0	0	0
Intergovernmental	9,934,059	9,933,845	(214)	1,750,819	1,761,648	10,829
Interest	195,962	205,659	9,697	3,762	2,595	(1,167)
Tuition and Fees	714,300	704,165	(10,135)	0	0	0
Extracurricular Activities	0	0	0	210,450	205,017	(5,433)
Gifts and Donations	1,475	1,475	0	6,300	6,346	46
Customer Services	116,100	115,816	(284)	0	0	0
Miscellaneous	44,275	44,112	(163)	112,150	112,042	(108)
Total Revenues	19,648,221	19,640,849	(7,372)	2,083,481	2,087,648	4,167
Expenditures:						
Current:						
Instruction:						
Regular	9,629,136	9,520,790	108,346	188,398	154,113	34,285
Special	1,624,132	1,577,122	47,010	475,895	458,134	17,761
Vocational	1,099,453	1,045,569	53,884	134,029	129,100	4,929
Adult/Continuing	0	0	0	93,480	93,480	0
Other	198,914	159,474	39,440	79,478	74,615	4,863
Support Services:						
Pupils	1,122,282	1,107,220	15,062	416,524	379,944	36,580
Instructional Staff	613,958	576,282	37,676	205,492	179,184	26,308
Board of Education	86,926	81,983	4,943	0	0	0
Administration	1,354,092	1,294,210	59,882	194,325	181,445	12,880
Fiscal	495,336	456,998	38,338	4,800	4,300	500
Business	114,728	106,868	7,860	13,183	8,798	4,385
Operation and Maintenance of Plant	2,386,006	2,346,365	39,641	36,633	29,533	7,100
Pupil Transportation	1,054,026	1,013,998	40,028	152,035	143,778	8,257
Central	4,000	2,329	1,671	38,153	36,662	1,491
Operation of Non-Instructional Services	18,500	38,031	(19,531)	212,474	190,322	22,152
Extracurricular Activities	362,877	335,166	27,711	214,429	203,971	10,458
Capital Outlay	231,500	218,217	13,283	18,988	18,988	0
Intergovernmental	0	0	0	14,750	14,750	0
Debt Service:						
Debt Service Payments	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	20,395,866	19,880,622	515,244	2,493,066	2,301,117	191,949
Excess of Revenues Over (Under) Expenditures	(747,645)	(239,773)	507,872	(409,585)	(213,469)	196,116
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	2,500	1,625	(875)	0	0	0
Refund of Prior Year Expenditures	39,250	38,754	(496)	0	0	0
Other Financing Sources	1,000	1,000	0	4,130	3,982	(148)
Refund of Prior Year Receipts			0	(658)	(658)	0
Other Financing Uses			0	0	0	0
Advances In	160,300	95,141	(65,159)	159,102	158,863	(239)
Advances Out	0	(158,863)	(158,863)	0	(95,141)	(95,141)
Operating Transfers In	55,000	55,000	0	2,934	2,934	0
Operating Transfers Out	(40,000)	(2,934)	37,066	(55,000)	(55,000)	0
Total Other Financing Sources (Uses)	218,050	29,723	(188,327)	110,508	14,980	(95,528)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(529,595)	(210,050)	319,545	(299,077)	(198,489)	100,588
Fund Balances at Beginning of Year	498,568	498,568	0	262,921	262,921	0
Prior Year Encumbrances Appropriated	561,766	561,766	0	169,155	169,155	0
Fund Balances at End of Year	\$530,739	\$850,284	\$319,545	\$132,999	\$233,587	\$100,588

See accompanying notes to the general purpose financial statements

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$1,193,071	\$1,184,458	(\$8,613)	\$197,400	\$197,748	\$348	\$0	\$0	\$0
120,396	120,396	0	437,500	437,770	270	0	0	0
130,000	126,441	(3,559)	12,000	11,881	(119)	0	0	0
37,694	29,921	(7,773)	59,987	57,687	(2,300)	5,700	5,377	(323)
0	0	0	100	52	(48)	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	10,700	10,490	(210)
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
<u>1,481,161</u>	<u>1,461,216</u>	<u>(19,945)</u>	<u>706,987</u>	<u>705,138</u>	<u>(1,849)</u>	<u>16,400</u>	<u>15,867</u>	<u>(533)</u>
0	0	0	574,987	545,815	29,172	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	16,478	16,386	92	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	1,931	1,931	0	0	0	0
0	0	0	13,450	13,450	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	2,819	2,819	0	400	400	0
40,000	27,393	12,607	11,526	11,526	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	1,088,571	1,049,398	39,173	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	49,953	40,240	9,713
0	0	0	0	0	0	0	0	0
0	0	0	2,549,760	2,537,234	12,526	0	0	0
0	0	0	0	0	0	0	0	0
578,900	578,896	4	0	0	0	0	0	0
910,256	909,113	1,143	0	0	0	0	0	0
<u>1,529,156</u>	<u>1,515,402</u>	<u>13,754</u>	<u>4,259,522</u>	<u>4,178,559</u>	<u>80,963</u>	<u>50,353</u>	<u>40,640</u>	<u>9,713</u>
<u>(47,995)</u>	<u>(54,186)</u>	<u>(6,191)</u>	<u>(3,552,535)</u>	<u>(3,473,421)</u>	<u>79,114</u>	<u>(33,953)</u>	<u>(24,773)</u>	<u>9,180</u>
0	0	0	103,500	103,420	(80)	0	0	0
0	0	0	5,400	5,400	0	7,228	7,228	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	(80,000)	(78,738)	1,262	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>28,900</u>	<u>30,082</u>	<u>1,182</u>	<u>7,228</u>	<u>7,228</u>	<u>0</u>
(47,995)	(54,186)	(6,191)	(3,523,635)	(3,443,339)	80,296	(26,725)	(17,545)	9,180
421,432	421,432	0	1,097,256	1,097,256	0	140,215	140,215	0
0	0	0	2,560,862	2,560,862	0	950	950	0
<u>\$373,437</u>	<u>\$367,246</u>	<u>(\$6,191)</u>	<u>\$134,483</u>	<u>\$214,779</u>	<u>\$80,296</u>	<u>\$114,440</u>	<u>\$123,620</u>	<u>\$9,180</u>

**Combined Statement of Revenue, Expenses, and
Changes in Fund Equity - All Proprietary Fund Types
For the Fiscal Year Ended June 30, 1999**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
<u>Operating Revenues:</u>			
Tuition	\$69,578	\$0	\$69,578
Sales	883,726	1,316	885,042
Charges for Services	23,044	238,265	261,309
Other Operating Revenues	34,860	176,153	211,013
Total Operating Revenue	<u>1,011,208</u>	<u>415,734</u>	<u>1,426,942</u>
<u>Operating Expenses:</u>			
Salaries	406,363	268,132	674,495
Fringe Benefits	188,953	183,871	372,824
Purchased Services	41,136	185,961	227,097
Materials and Supplies	108,854	1,626	110,480
Cost of Sales	530,119	0	530,119
Depreciation	17,137	0	17,137
Other Operating Expenses	1,791	3,147	4,938
Total Operating Expenses	<u>1,294,353</u>	<u>642,737</u>	<u>1,937,090</u>
Operating Loss	<u>(283,145)</u>	<u>(227,003)</u>	<u>(510,148)</u>
<u>Non-Operating Revenues:</u>			
Federal Donated Commodities	96,293	0	96,293
Operating Grants	300,939	0	300,939
Interest	994	23,435	24,429
Total Non-Operating Revenues	<u>398,226</u>	<u>23,435</u>	<u>421,661</u>
Net Income (Loss)	115,081	(203,568)	(88,487)
Retained Earning (Deficit) at Beginning of Year - Restated (See Note 3)	<u>340,961</u>	<u>(1,057,006)</u>	<u>(716,045)</u>
Retained Earnings (Deficit) at End of Year	456,042	(1,260,574)	(804,532)
Contributed Capital at Beginning of Year	189,206	0	189,206
Contributions During the Year	<u>0</u>	<u>0</u>	<u>0</u>
Contributed Capital at End of Year	<u>189,206</u>	<u>0</u>	<u>189,206</u>
Fund Equity (Deficit) at End of Year	<u><u>\$645,248</u></u>	<u><u>(\$1,260,574)</u></u>	<u><u>(\$615,326)</u></u>

See accompanying notes to the general purpose financial statements

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

	Enterprise Funds			Internal Service Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Tuition	\$68,900	\$69,578	\$678	\$0	\$0	\$0
Sales	891,675	884,371	(7,304)	1,400	1,316	(84)
Charges for Services	23,500	22,544	(956)	230,600	238,265	7,665
Interest	1,000	994	(6)	19,350	19,286	(64)
Other Revenues	24,250	23,868	(382)	175,510	174,592	(918)
Operating Grants	269,625	263,234	(6,391)	0	0	0
Refund of Prior Year Expenses	11,050	10,992	(58)	1,650	1,561	(89)
Total Revenues	1,290,000	1,275,581	(14,419)	428,510	435,020	6,510
Expenses:						
Salaries and Wages	401,100	395,117	5,983	57,100	50,578	6,522
Fringe Benefits	210,500	201,588	8,912	210,194	193,583	16,611
Purchased Services	100,337	54,292	46,045	203,857	193,508	10,349
Materials and Supplies	417,251	384,941	32,310	2,300	1,816	484
Capital Outlay	315,078	208,119	106,959	0	0	0
Other	4,000	2,825	1,175	5,000	3,934	1,066
Total Expenses	1,448,266	1,246,882	201,384	478,451	443,419	35,032
Excess of Revenues Over (Under) Expenses	(158,266)	28,699	186,965	(49,941)	(8,399)	41,542
Fund Balances at Beginning of Year	170,031	170,031	0	278,630	278,630	0
Prior Year Encumbrances Appropriated	37,625	37,625	0	101,301	101,301	0
Fund Balances at End of Year	\$49,390	\$236,355	\$186,965	\$329,990	\$371,532	\$41,542

See accompanying notes to the general purpose financial statements

**Combined Statement of Cash Flows
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 1999**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Tuition	\$69,578	\$0	\$69,578
Cash Received from Customers	906,916	1,316	908,232
Cash Received from Quasi-External Transactions	0	412,857	412,857
Cash Received from Other Revenues	34,860	1,561	36,421
Cash Payments for Salaries	(395,117)	(50,578)	(445,695)
Cash Payments for Fringe Benefits	(201,516)	(148,583)	(350,099)
Cash Payments to Suppliers for Goods and Services	(571,342)	(188,591)	(759,933)
Cash Payments for Other Operating Expenses	(1,696)	(3,934)	(5,630)
Net Cash Provided by (Used for) Operating Activities	<u>(158,317)</u>	<u>24,048</u>	<u>(134,269)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Cash Received from Operating Grants	<u>263,234</u>	<u>0</u>	<u>263,234</u>
<u>Cash Flows from Capital Financing Activities:</u>			
Acquisition of Fixed Assets	<u>(17,291)</u>	<u>0</u>	<u>(17,291)</u>
<u>Cash Flows from Investing Activities:</u>			
Cash Received from Interest	994	19,286	20,280
Cash Received from Maturity of Investment	0	50,000	50,000
Net Cash Provided by Investing Activities	<u>994</u>	<u>69,286</u>	<u>70,280</u>
Net Increase in Cash and Cash Equivalents	88,620	93,334	181,954
Cash and Cash Equivalents at Beginning of Year	<u>207,655</u>	<u>229,931</u>	<u>437,586</u>
Cash and Cash Equivalents at End of Year	<u>\$296,275</u>	<u>\$323,265</u>	<u>\$619,540</u>
<u>Reconciliation of Operating Loss to Net Cash Provided by (Used for) Operating Activities:</u>			
Operating Loss	(\$283,145)	(\$227,003)	(\$510,148)
<u>Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used for) Operating Activities:</u>			
Depreciation	17,137	0	17,137
Donated Commodities Used During Year	96,293	0	96,293
<u>Changes in Assets and Liabilities:</u>			
Decrease in Accounts Receivable	231	945	1,176
Increase in Intergovernmental Receivable	(500)	0	(500)
Increase in Prepaid Items	(7,256)	(8,785)	(16,041)
Increase in Materials and Supplies Inventory	(3,810)	0	(3,810)
Decrease in Inventory Held for Resale	18,250	0	18,250
Decrease in Accounts Payable	(891)	(1,993)	(2,884)
Increase in Accrued Wages and Benefits	10,142	0	10,142
Increase in Compensated Absences Payable	764	217,554	218,318
Increase (Decrease) in Intergovernmental Payable	(5,532)	43,330	37,798
Net Cash Provided by (Used for) Operating Activities	<u>(158,317)</u>	<u>\$24,048</u>	<u>(134,269)</u>

See accompanying notes to the general purpose financial statements

**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

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

The School District is located in Mercer County, and includes all of the City of Celina and portions of Jefferson, Center, Hopewell, Franklin, Butler, Washington, and Liberty Townships. The School District is staffed by 145 non-certificated employees, 215 certificated full-time teaching personnel and 23 administrative employees who provide services to 3,446 students and other community members. The School District currently operates six instructional buildings and one bus garage.

A. Reporting Entity:

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

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

The School District is associated with three jointly government organization and two insurance pools. These organizations include the Mercer County Local Professional Development Committee, the West Central Ohio Special Education Regional Resource Center, the West Central Ohio Regional Professional Development Center, the Ohio School Boards Association Workers' Compensation Group Rating Program, and the Mercer-Auglaize Employee Benefit Trust. These organizations are presented in Notes 21 and 22 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting

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

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

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

1. Governmental Fund Types:

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

General Fund

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

Special Revenue Funds

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

Debt Service Fund

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

Capital Projects Funds

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Types:

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

Enterprise Funds

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

Internal Service 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.

3. Fiduciary Fund Types:

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

4. Account Groups:

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

General Fixed Assets Account Group

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

General Long-Term Obligations Account Group

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

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

All proprietary fund types 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 (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

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

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

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

All funds, other than agency funds, are legally required to be budgeted and appropriated.

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 Mercer County Budget Commission for rate determination.

Estimated Resources:

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

Appropriations:

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Encumbrances:

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

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

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

During fiscal year 1999, investments were limited to non-negotiable certificate of deposit, manuscript notes, and open-ended mutual funds. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposit are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$208,529, which includes \$53,567 assigned from other School District funds.

The School District was required to deposit monies into separate accounts for the accumulated retainage on contracts for the construction and renovation to the school buildings. The amount held within these accounts is reflected as "Cash and Cash Equivalents in Segregated Accounts."

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For purposes of the Combined Statement of Cash Flows and for presentation of the Combined Balance Sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

E. 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."

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 purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Inventory

Inventories of proprietary fund types are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary fund types consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

H. Restricted Assets

Restricted assets in the general and capital projects funds represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, and to create a reserve for budget stabilization. See Note 17 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves. Restricted assets in the capital projects funds also represent cash and cash equivalents held by the School District as retainage on ongoing contracts.

I. 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 fund types are capitalized in the related fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

For governmental funds, the current portion of unpaid vacation leave 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 vacation leave is reported as a fund liability.

The School District has created an internal service fund to account for the payment on all sick upon termination. The fund was charged 2 percent of the gross payroll from July 1, 1998 through February 28, 1999 and 1.5 percent of gross payroll from March 1, 1999 through June 30, 1999. Sick leave benefits are accrued as a liability in the internal service fund using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified employees, certified employees, and administrators with ten years of service with the School District and age fifty, or any employee with twenty years or more of service.

K. Accrued Liabilities and Long-Term Obligations

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

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

Under Ohio law, a debt retirement fund may be created and used for the payment of tax anticipation notes. Generally accepted accounting principles requires 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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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 enterprise fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

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

Entitlements

General Fund

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

Special Revenue Fund

- Textbook Subsidy

Non-Reimbursable Grants

Special Revenue Funds

- Education Management Information Systems
- Teacher Development Block Grant
- Adult Vocational Equipment
- Vocational Equipment
- Auxiliary Services
- Career Development
- Ohio Headstart
- Public PreSchool
- Wellness Program
- Children's Trust Fund
- Handicapped PreSchool
- School to Work Grant
- Eisenhower Science/Mathematics
- Latchkey
- Drug Free Education
- Title I
- Title VI
- Title VI-B
- Continuous Improvement

Capital Projects Funds

- School Net Plus

Reimbursable Grants

General Fund

- Driver Education

Enterprise Funds

- National School Breakfast Program
- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately forty-five percent of the School District's governmental operating revenue during the 1999 fiscal year.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

N. Fund Balance Reserves and Designations

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

The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

The School District designates a portion of fund equity to indicate tentative planned expenditures of financial resources. A fund balance designation has been established for the revenues set-aside for textbooks and instructional materials and capital improvements that exceeded the statutorily required amount.

O. Use of Estimates

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

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.

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

NOTE 3 - CORRECTION OF AN ERROR

In fiscal year 1998, the School District had posted fixed assets incorrectly in the lunchroom and adult education enterprise funds, along with not taking into account the salvage value of its fixed assets. The correction of the fixed assets and related accumulated depreciation had the following effects on retained earnings as it was previously reported as of June 30, 1998.

	<u>Enterprise</u>
Balances as previously reported	\$306,017
Restatement of contributed capital for fixed assets	(23,716)
Restatement of fixed assets and accumulated depreciation	58,660
Restated Balances as of June 30, 1998	<u>\$340,961</u>

NOTE 4 - ACCOUNTABILITY

At June 30, 1999, the education management information system, public school preschool, Head Start, and Title I Special Revenue Funds had deficit fund balances of \$1,472, \$1,809, \$46,953, and \$24,957, respectively. The deficits resulted from the application of generally accepted accounting principles. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

Also at June 30, 1999, the severance internal service fund had deficit retained earnings of \$1,260,574. The deficit resulted from an accumulation of net losses. The fund accumulates revenues to handle the payment of termination benefits based on an estimate of the current and future payouts. Annually, the School District evaluates the rate charged to other funds to determine if additional funding is needed to eliminate the deficit.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

5. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. The School District does not budget for the activities of the retainage accounts; however, the activity of the retainage accounts are included in the capital projects fund for GAAP reporting.
7. 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 Fund**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$1,769,931	\$76,863	(\$54,186)	(\$2,598,561)	\$6,189
Adjustments:					
Revenue Accruals	(403,991)	(22,712)	0	(22,561)	0
Expenditure Accruals	232,811	(14,378)	0	(606,900)	0
Unrecorded Cash at Fiscal Year End	(2,742)	0	0	0	0
Advances In	95,141	158,863	0	0	0
Advances Out	(158,863)	(95,141)	0	0	0
Notes Payable	0	0	50,000	0	0
Prepaid Items	(9,745)	469	0	0	0
Residual Equity Transfers	55,000	(55,000)	0	0	0
Transfer of Debt Activity	0	0	(50,000)	(50,000)	0
Encumbrances Outstanding At Year End (Budget Basis)	(1,787,592)	(247,453)	0	(165,317)	(23,734)
Budget Basis	<u>(\$210,050)</u>	<u>(\$198,489)</u>	<u>(\$54,186)</u>	<u>(\$3,443,339)</u>	<u>(\$17,545)</u>

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

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

	Enterprise	Internal Service
Net Income (Loss)/Excess of Revenues Over (Under) Expenses All Proprietary Fund Types		
GAAP Basis	\$115,081	(\$203,568)
Adjustments:		
Revenue Accruals	(37,975)	(2,161)
Expense Accruals	4,483	258,891
Net Increase in Fair Value	0	(1,043)
Change in Prepaid Items	(7,256)	(8,785)
Changes in Inventory	14,440	0
Acquisition of Fixed Assets	(17,291)	0
Depreciation	17,137	0
Encumbrances Outstanding At Year End (Budget Basis)	(59,920)	(51,733)
Budget Basis	\$28,699	(\$8,399)

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

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

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

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

Interim deposits are deposits of interim moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts. Interim moneys may be deposited or invested in the following securities:

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

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

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marking association. All federal agency services shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
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 (STAROhio);
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.

Cash on Hand:

At fiscal year end, the School District had \$8,725 in undeposited cash on hand which is included on the Combined 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 No. 3, "Deposits With Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

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

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Deposits:

At fiscal year end, the carrying amount of the School District's deposits was \$5,021,675 and the bank balance was \$5,591,942. Of the bank balance \$235,893 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized. Although the securities were held by the pledging financial institutions trust departments in the School District's name and all state statutory requirements for the investment of money had been followed, noncompliance with federal requirement could potentially subject the School District to a successful claim by the FDIC.

Investments:

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered 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 for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The only investment held by the School District as of June 30, 1999, were manuscript notes which had a fair value of \$101,043 and is included in Category 1.

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Funds included within the Treasurer district-wide cash management pool, which are used essentially as demand deposit accounts for the various School District funds, and investments with an original maturity of three months or less are treated as cash and cash equivalents. The classification of cash and cash equivalents (deposits) and investments for purposes of the note above is based on criteria set forth in GASB Statement No. 3.

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$5,030,400	\$101,043
Cash on Hand	(8,725)	
GASB Statement 3	\$5,021,675	\$101,043

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

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 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 fiscal 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	\$213,376,050	81.89%	\$221,337,340	82.03%
Public Utility	12,514,540	4.80	12,521,950	4.64
Tangible Personal Property	34,691,762	13.31	35,962,523	13.33
Total Assessed Value	<u>\$260,582,352</u>	<u>100.00%</u>	<u>\$269,821,813</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$36.94		\$36.46	

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Mercer 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 which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. There were no amounts available as an advance at June 30, 1999 or June 30, 1998.

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

NOTE 8 - INCOME TAX

The School District levies a voted tax of 0.75 percent for general operations and a 0.25 percent for permanent improvements on the income of residents and of estates. .25 percent of the tax was effective on January 1, 1996, and .75 percent of the tax was effective January 1, 1998. Both tax levies are 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 and the Permanent Improvement capital projects fund.

NOTE 9 - RECEIVABLES

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

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund:	
Rental	\$300
Refunds	237
Print Shop	24
Total General Fund	561
Special Revenue Funds:	
Vocational Equipment	7,004
Vocational Education	57,963
Total Special Revenue Funds	64,967
Enterprise Funds:	
Lunchroom	
Federal Lunch Program	35,732
State Lunch Program	1,973
Total Lunchroom Fund	37,705
Special Enterprises	
Day Care	500
Total Enterprise Funds	38,205
Agency Funds:	
Tri Star Compact	
Excess Costs	18,782
Total Intergovernmental Receivable	\$122,515

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

NOTE 10 - FIXED ASSETS

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

Furniture and Equipment	\$481,958
Less Accumulated Depreciation	<u>(202,336)</u>
Net Fixed Assets	<u><u>\$279,622</u></u>

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

<u>Asset Category</u>	<u>Balance at June 30, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 1999</u>
Land and Improvements	\$565,304	\$6,097	\$0	\$571,401
Buildings and Improvements	13,739,934	12,263,790	0	26,003,724
Furniture, Fixtures and Equipment	3,408,070	948,990	57,661	4,299,399
Vehicles	1,631,858	198,760	14,826	1,815,792
Construction in Progress	11,896,938	217,354	11,896,938	217,354
Total	<u>\$31,242,104</u>	<u>\$13,634,991</u>	<u>\$11,969,425</u>	<u>\$32,907,670</u>

NOTE 11 - RISK MANAGEMENT

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

Building and Contents- replacement cost (\$1,000 deductible)	\$63,923,639
Commercial Crime	1,000
Commercial Inland Marine (\$1,000 deductible)	40,167
School District Liability	
Per Occurrence	1,000,000
Per Aggregate	5,000,000
Commercial Umbrella Liability	
Per Occurrence	2,000,000
Commercial Auto	
Liability	1,000,000
Medical	5,000
Uninsured Driver	1,000,000
Collision (\$250 deductible)	5,000
Builders Risk (\$250 deductible)	150,000

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

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

NOTE 11 - RISK MANAGEMENT (Continued)

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (the GRP), an insurance purchasing pool (Note 22). The GRP is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Participation in the GRP is limited to educational entities that can meet the GRP's selection criteria. Each participant must apply annually. The GRP provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

The School District participates in the Mercer-Auglaize Employee Benefit Trust (Trust), a public entity shared risk pool consisting of eight local school districts, two city school districts, and an educational service center. The School District pays monthly premiums to the Trust for medical and dental benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$217,213, \$234,789, and \$242,897, respectively; 55 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$97,145 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS

B. State Teachers Retirement System

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

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

The School District's contribution for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$573,480, \$936,944, and \$1,037,719, respectively; 83 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$96,204 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1998, five members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

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

NOTE 13 - POSTEMPLOYMENT BENEFITS

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$764,640 during the 1999 fiscal year.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll; an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, equaled \$247,536 during the 1999 fiscal year.

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

NOTE 14 - EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month up to a maximum of 160 days. For teachers and administrators, severance pay which is based on sick leave can be accumulated to a maximum of 160 days of sick leave per severance leave bank. The School District maintains three severance leave banks as described below and severance leave is based on the same accumulation factor as sick leave. Upon retirement, payment will be made as follows:

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

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

Bank A - Within the first 10 and 2/3 years of service, the net accumulated days shall be payable at twenty-five percent to a maximum of 40 days.

Bank B - Within the second 10 and 2/3 years of service, the net accumulated days shall be payable at twenty percent to a maximum of 32 days.

Bank C - After 21 and 1/2 years of service, the net accumulated days shall be payable at fifteen percent of the balance.

Sick leave may be accumulated to a maximum of 180 days for classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 45 days for all employees.

B. Health, Dental and Life Insurance

The School District provides health insurance benefits to employees through the Mercer-Auglaize Schools Employee Benefits Trust. The premium varies with each employee depending on marital and family status. The School District also provides prescription drug insurance through the same provider. The premium varies with each employee depending on marital and family status.

The School District provides life and dental insurance benefits through CoreSource. The premium is a set fee per employee for life insurance. The premium varies with each employee depending on marital and family status for dental insurance.

NOTE 15 - SHORT-TERM OBLIGATIONS

The School District issued \$250,000 in permanent improvement tax anticipation notes in fiscal year 1996 for the purchase of textbooks. The notes mature over a five year period and bear interest of 5.30 percent. The proceeds of the notes were recorded in the Permanent Improvement Capital Projects Fund. By Ohio law, the notes were issued in anticipation of tax revenues. During fiscal year 1999, the School District paid \$50,000 on the notes, leaving a remaining balance of \$100,000.

Principal and interest requirements to retire the notes at June 30, 1999, are as follows:

Fiscal Year Ending <u>June 30</u>	<u>Amount</u>
2000	\$55,328
2001	52,664
Total	<u>\$107,992</u>

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

NOTE 16 - LONG-TERM OBLIGATIONS

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

	Interest Rate	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
<u>General Long-Term Obligations:</u>					
General Obligation Bonds					
1996 School Facilities Issue					
Serial and Term Bonds	3.6 - 5.70%	\$16,480,000	0	380,000	\$16,100,000
Capital Appreciation Bonds	14.875 - 16.40%	585,337	75,570	0	660,907
1995 Energy Conservation Bonds	4.8 - 6.95%	870,000	0	105,000	765,000
1991 Asbestos Removal Loan	0%	<u>460,904</u>	<u>0</u>	<u>43,896</u>	<u>417,008</u>
Total Long-Term Bonds and Loans		18,396,241	75,570	528,896	17,942,915
Compensated Absences		4,472	1,444	0	5,916
Pension Obligation		<u>171,641</u>	<u>139,076</u>	<u>171,641</u>	<u>139,076</u>
Total Long-Term Obligations		<u>\$18,572,354</u>	<u>\$216,090</u>	<u>\$700,537</u>	<u>\$18,087,907</u>

School Improvement General Obligation Bonds - On April 1, 1996, Celina City School District issued \$17,517,923 in voted general obligation bonds for the purpose of constructing, improving and making additions to school buildings and related site development. The bond issue included serial, term and capital appreciation bonds in the amount of \$3,965,000, \$13,145,000, and \$407,923, respectively. The bonds will be retired with a voted property tax levy from the debt service fund.

The term bonds maturing on December 1, 2011, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, in each of the years 2008 through 2010 (with the balance of \$805,000 to be paid at stated maturity on December 1, 2011) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2008	\$650,000
2009	695,000
2011	745,000

The term bonds maturing on December 1, 2016, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, in each of the years 2012 through 2015 (with the balance of \$1,160,000 to be paid at stated maturity on December 1, 2016) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2012	\$880,000
2013	945,000
2014	1,010,000
2015	1,080,000

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

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

The term bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, in each of the years 2017 through 2019 (with the balance of \$1,275,000 to be paid at stated maturity on December 1, 2020) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2017	\$1,225,000
2018	1,295,000
2019	1,380,000

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

The serial bonds maturing after December 1 in 2005 are subject to optional redemption, in whole or in part of any date in inverse order of maturity and by lot within a maturity, in integral multiples of \$5,000 at the option of the School District on or after December 1, 2005 at the redemption prices (expressed as percentages of the principal amount to be redeemed) set forth below, plus accrued interest to the redemption date:

Redemption Dates (Dates Inclusive)	Redemption Prices
December 1, 2005 through November 30, 2006	102%
December 1, 2006 through November 30, 2007	101
December 1, 2007 and thereafter	100

The capital appreciation bonds will mature in fiscal years 2004 through 2006. The maturity amount of the bonds is \$1,735,000. For fiscal year 1999, \$75,570 was accreted for a total bond value of \$660,907.

Asbestos Removal Loans - In 1991, Celina City Schools began an asbestos removal program throughout all the buildings. An asbestos removal loan for \$790,121 was received from the Federal government. The loan was issued with a maturity of nineteen years with a final maturity on November 30, 2008, and the debt will be retired from the debt service fund.

Energy Conservation Bonds - In fiscal year 1995, Celina City Schools issued \$1,078,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2006. The bonds will be retired from the debt service fund.

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

The School District's overall legal debt margin was \$7,790,203 with an unvoted debt margin of \$269,822 at June 30, 1999.

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

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

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

<u>Fiscal year Ending June 30,</u>	<u>Amount</u>
2000	\$1,438,418
2001	1,449,703
2002	1,458,781
2003	1,455,928
2004	1,456,198
2005-2009	7,076,355
2010-2014	6,956,948
2015-2021	10,076,031
Total	<u><u>\$31,368,362</u></u>

NOTE 17 - RESERVATIONS OF FUND BALANCE

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

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

	<u>Textbook</u>	<u>Capital</u>	<u>Budget</u>	<u>Total</u>
Balance as of June 30, 1998	\$0	\$0	\$104,411	\$104,411
Revenue Required to be Set-aside	264,606	264,606	133,876	663,088
Qualifying Expenditures (Paid in Cash)	(449,965)	(59,077)	0	(509,042)
Off-set for the current year	(465,015)	(328,666)	0	(793,681)
Balance as of June 30, 1999	<u>(650,374)</u>	<u>(\$123,137)</u>	<u>\$238,287</u>	<u>(\$535,224)</u>
Cash Carried Forward to Fiscal Year 2000	<u>\$0</u>	<u>\$0</u>	<u>\$238,287</u>	\$238,287
Amount restricted for bus purchases				47,582
Total Restricted Cash and Cash Equivalents				<u><u>\$285,869</u></u>

The School District's Board segregated a portion of the permanent improvement capital projects fund revenues for the acquisition of textbooks. The unexpended balance of these revenues in the amount of \$151,472 has been presented as a restricted asset in the fund.

Although the School District may have had additional offsets and qualifying disbursements during the year, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

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

NOTE 18 - INTERFUND ACTIVITY

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

	<u>Due to/from Other Funds</u>		<u>Interfund Receivable/Payable</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$2,464	\$0	\$210,514	\$0
Special Revenue Funds:				
Career Development	0	0	0	7,004
Post Secondary Vocational Education	0	0	0	15,119
EMIS	0	0	0	8,500
Public School Preschool	0	539	0	0
Vocational Education	0	1,925	0	72,655
Head Start	0	0	0	50,000
Drug Free	0	0	0	5,585
Total Special Revenue Funds	0	2,464	0	158,863
Agency Fund:				
Tri Star	0	0	0	51,651
Total	<u>\$2,464</u>	<u>\$2,464</u>	<u>\$210,514</u>	<u>\$210,514</u>

NOTE 19 - CONTRACTUAL COMMITMENTS

As of June 30, 1999, the School District had contractual purchase commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
Fanney/Howey Associates	Architectural Services	\$71,967
Farnham Equipment	Educational and Music Casework	12,781
Cardinal Bus Sales	Bus Bodies	46,965
Capitol Varsity	Football Equipment	18,000
Delta Innovations	Intercom System	125,095
Delta Innovations	Building Repairs	24,000
Cotterman and Company	Roof Replacement	102,877
Bruns Building and Development	Driveway at East Elementary	84,770

NOTE 20 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains four enterprise funds to account for the operations of food service, construction (the School District constructs homes for resale as part of their curriculum), adult education, and special enterprises. The table below reflects the more significant financial data relating to the enterprise funds of the Celina City School District as of and for the fiscal year ended June 30, 1999.

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

NOTE 20 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

	Food Service	Construction	Adult Education	Special Enterprises	Total Enterprise Funds
Operating Revenues	\$758,606	\$147,500	\$80,558	\$24,544	\$1,011,208
Operating Expenditures					
Before Depreciation	1,018,033	142,908	92,484	23,791	1,277,216
Depreciation	14,174	0	2,963	0	17,137
Operating Income (Loss)	(273,601)	4,592	(14,889)	753	(283,145)
Donated Commodities	96,293	0	0	0	96,293
Operating Grants	300,939	0	0	0	300,939
Net Income (Loss)	124,625	4,592	(14,889)	753	115,081
Fixed Asset Additions	15,266	0	2,025	0	17,291
Net Working Capital	92,213	190,401	62,036	20,976	365,626
Total Assets	490,100	190,520	80,963	20,976	782,559
Total Equity	358,416	190,401	75,455	20,976	645,248
Encumbrances Outstanding					
June 30, 1999 (Budget)	34,412	16,604	8,904	0	59,920

NOTE 21 - JOINTLY GOVERNED ORGANIZATIONS

A. Mercer County Local Professional Development Committee

The School District is a participant in the Mercer County Local Professional Development Committee (the Committee) which is a regional council of governments established to provide professional educator license renewal standards and procedures. The Committee is governed by an 11 member board made up of six teachers, two building principals, one superintendent, and two members employed by the Mercer County Educational Service Center with terms of two years. The degree of control exercised by any participating school district is limited to its representation on the Board. The Committee is an association of public school districts within the boundaries of Mercer County. Financial information can be obtained from the Mercer County Educational Service Center, 441 East Market Street, Celina, Ohio 45822.

B. West Central Ohio Special Education Regional Resource Center (SERRC)

The SERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

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

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

NOTE 21 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. West Central Regional Professional Development Center (Center)

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

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

NOTE 22 - INSURANCE POOLS

A. Ohio School Boards Association Workers' Compensation Group Rating Program

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.

B. The Mercer-Auglaize Schools Employee Benefits Trust

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

NOTE 23 - SCHOOL FUNDING

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$8,890,525 of school foundation support for its general fund.

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

NOTE 23 - SCHOOL FUNDING (Continued)

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

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

NOTE 24 - YEAR 2000

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

The School District has inventoried computer systems and other equipment necessary equipment that may be affected by the year 2000 issue and that are necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)). The State is responsible for remediating these systems.

Mercer County collects property taxes for distribution to the Celina City School District. Mercer County is responsible for remediating the tax collection system.

The District has obtained assurance concerning their computer hardware in the Treasurer's office from their vendor American Computer Center as follows: "This is to certify the computers provided by our company and used in the Celina City School system were manufactured with Soltek motherboards employing Award bios chips and meet or conform with year 2000 specifications."

The School District does not have any estimated costs or contractual obligations outstanding to correct any Year 2000 issues.

District's buildings have efficient power, heating, and air-conditioning systems. External vendors will be engaged to remediate these efficiency systems.

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

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

NOTE 25 - CONTINGENCIES

A. Grants

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

B. Litigation

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED JUNE 30, 1999**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
(Passed through Ohio Department of Education)						
Nutrition Cluster:						
National School Breakfast Program	043729 - 05-PU	10.553	\$3,050	\$0	\$3,050	\$0
National School Lunch Program	043729-03 & 04-PU	10.555	173,998	0	173,998	0
Child Care Food Program	136457-16-CC & 21-ML	10.558	22,162		22,162	
Food Distribution Program	N/A	10.550	0	83,043	0	96,293
Total U.S. Department of Agriculture - Nutrition Cluster			199,210	83,043	199,210	96,293
U.S. DEPARTMENT OF EDUCATION						
Direct Program						
Pell Grants	P063P985011	84.063	11,100	0	11,100	0
			0	0	0	0
Total Student Financial Assistance Cluster			11,100	0	11,100	0
(Passed through Ohio Department of Education)						
Title VI-B Handicapped	043729-6B-SF98P	84.027	0	0	24,083	0
Title VI-B Handicapped	043729-6B-SF99P	84.027	180,588	0	105,645	0
Total			180,588	0	129,728	0
Handicapped Preschool	04379-PG-S198P	84.173	0	0	8,062	0
Handicapped Preschool	04379-PG-S199P	84.173	28,899	0	26,336	0
Total			28,899	0	34,398	0
Total Special Education Cluster			209,487	0	164,126	0
Goals 2000	043729-G2-S2-99	84.276	10,000	0	0	0
Title 1	043729-C1-S198	84.010	0	0	17,368	0
Title 1	043729-C1-S199	84.010	265,133	0	250,641	0
Total			265,133	0	268,009	0
Vocational Education Basic Grant	043729-20-C1-00	84.048	16,348	0	33,093	0
Vocational Education Basic Grant	043729-20-C1-00	84.048	96,213	0	81,617	0
Total			112,561	0	114,710	0
Drug Free Schools	043729-DR-S1-97	84.186	(39)	0	6,380	0
Drug Free Schools	043729-DR-S1-98	84.186	(6,031)	0	0	0
Drug Free Schools	043729-DR-S1-98C	84.186	6,031	0	6,031	0
Drug Free Schools	043729-DR-S1-99	84.186	12,521	0	9,585	0
Total			12,482	0	21,996	0
Eisenhower Professional Development	043729-MS-S1-98	84.281	0	0	6,985	0
Eisenhower Professional Development	043729-MS-S1-99	84.281	13,677	0	3,731	0
Total			13,677	0	10,716	0
Title VI - Innovative Education Program	043729-C2-S1-97C	84.298	(619)	0	0	0
Title VI - Innovative Education Program	043729-C2-S1-98	84.298	(1,042)	0	13,400	0
Title VI - Innovative Education Program	043729-C2-S1-98C	84.298	1,042	0	0	0
Title VI - Innovative Education Program	043729-C2-S1-97	84.298	14,559	0	0	0
Total			13,940	0	13,400	0
Total U. S. Department of Education			648,380	0	604,057	0
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Direct Program						
Headstart Program	05CH5331/23	93.600	304,973	0	335,205	0
Headstart Program	05CH5331/24	93.600	360,027	0	337,410	0
Total Headstart Program			665,000	0	672,615	0
(Passed through Ohio Department of Education)						
Dependent Care Plan	043729-DC-S1-99	93.575	50,000	0	47,832	0
Total U.S. Department of Health and Human Services			715,000	0	720,447	0
U.S. DEPARTMENT OF LABOR						
(Passed through Putnam County Educational Service Center)						
School to Work	N/A	17.249	963	0	1,499	0
Total Federal Assistance			\$1,563,553	\$83,043	\$1,525,213	\$96,293

See Accompanying Notes to the Schedule of Federal Awards Expenditures

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

NOTE A –SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had \$13,800 in donated food commodity inventory.

NOTE C - MATCHING REQUIREMENTS

Certain federal programs require that the District contribute non-federal funds (matching funds) to support the federally-funded programs. The expenditure of non-federal funds is not included on the Schedule.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Celina City School District
Mercer County
585 East Livingston Street
Celina, Ohio 45822

To the Board of Education:

We have audited the financial statements of Celina City School District, Mercer County (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 7, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance which is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of findings as item 1999-10254-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated January 7, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting and its operating that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-10254-003.

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness. We also noted others matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 7, 2000.

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

Jim Petro
Auditor of State

January 7, 2000



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

Celina City School District
Mercer County
585 East Livingston Street
Celina, Ohio 45822

To the Board of Education:

Compliance

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

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

In our opinion, Celina City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings as item 1999-10254-002. We also noted an instance of noncompliance that does not require inclusion in this report that we have reported to the management of the District in separate letter dated January 7, 2000.

Internal Control Over Compliance

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

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings as item 1999-10254-002.

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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

We also noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 7, 2000.

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

Jim Petro
Auditor of State

January 7, 2000

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Head Start Program CFDA# 93.600
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 1999
(Continued)**

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

Finding Number	1999-10254-001
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Based upon pay scales established by the negotiated agreement between Celina City School District Board of Education and the Ohio Association of Public School Employees Local #457 for classified employees, Doris Grunden, cafeteria cook, should have received gross base payments of \$430.66 per pay period for nine pays (September 1998 - December 1998) and \$507.06 per pay period for seventeen pays (January 1999-August 1999). The total base amount to be received equals \$12,495.96. For the contract period, actual payments received were \$430.66 for nine pays and \$526.24 for seventeen pays for a total of \$12,822.02. Resulting in an overpayment of \$19.18 per pay for the seventeen pay periods (January 1999-August 1999) or \$326.06.

Based on the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Doris Grunden, in favor of the Celina City School District in the amount of \$326.06. The School District has made arrangements for the finding to be repaid by payroll deduction.

Finding Number	1999-10254-002
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CFDA Title and Number: 93.600 Head Start Program
Federal Award Number/Year: 05CH5331/23 and 05CH5331/24
Federal Agency: Department of Health and Human Services
Pass-Through Agency: Direct Program

Noncompliance/Reportable Condition - Davis-Bacon Act

40 USCA 276a-276a-7, states that when required by the Davis-Bacon Act, the Department of Labor's (DOL) government-wide implementation of the Davis-Bacon Act, or the Federal program legislation, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the DOL.

The District funded part of the bus garage remodeling project and Head Start bathroom remodeling project with Federal funds. There is no evidence that the District paid workers involved in these projects wages not less than those established for the locality of the project (prevailing wage rates) by the DOL.

The District should include, in those projects exceeding \$2,000 and are funded in part or wholly by Federal funds, a prevailing wage clause that references the Davis-Bacon Act. In addition, the District should appoint an employee to monitor contractor payrolls to ensure that the prevailing wages are being paid.

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 1999
(Continued)

Finding Number	1999-10254-003
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Food Service - Documentation of Ala Carte Revenues

Review of the Senior High daily cafeteria reports used to prepare the School Lunch and Milk Program Daily Worksheet (CN-7 Report) lacks supporting documentation for ala carte receipts.

The lack of sufficient records and documents (evidential matter), to support the ala carte revenues could result in the manipulation of collections and in material misstatements of the financial statements with the inability of school personnel to detect any discrepancies or errors during the normal course of operation.

Management should develop and implement procedures which would incorporate adequate internal controls and documentation that will support the ala carte items sold and the respective receipts collected by the Senior High cafeteria.



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OFFICE OF THE AUDITOR

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CELINA CITY SCHOOL DISTRICT

MERCER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 25, 2000**