



**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**REGULAR AUDIT**

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



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

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**STATE OF OHIO**



**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Old Fort Local School District  
Seneca County  
7635 North County Road 51  
P.O. Box 64  
Old Fort, Ohio 44861-0064

To the Board of Education:

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

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Old Fort Local School District, Seneca County, 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 December 6, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

**Jim Petro**  
Auditor of State

December 6, 2000

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**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>			
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$305,093	\$62,902	\$29,699
Cash with fiscal agent	215,132		
Receivables (net of allowances of uncollectibles):			
Taxes - current and delinquent	969,518		59,399
Accounts	4,583	610	
Accrued interest	1,069		
Advances to other funds	5,058		
Due from other governments			
Prepayments	5,255		
Materials and supplies inventory	17,718		
Restricted assets:			
Equity in pooled cash and cash equivalents	16,504		
Property, plant and equipment (net of accumulated depreciation where applicable)			
<b>Other debits:</b>			
Amount to be provided for retirement of general long-term obligations			
<b>Total assets and other debits</b>	<b>\$1,539,930</b>	<b>\$63,512</b>	<b>\$89,098</b>

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$33,415	\$108	\$30,518			\$461,735
					215,132
					1,028,917
					5,193
					1,069
					5,058
3,162					3,162
77					5,332
5,164					22,882
					16,504
14,717			\$6,559,349		6,574,066
				\$169,475	169,475
<u>\$56,535</u>	<u>\$108</u>	<u>\$30,518</u>	<u>\$6,559,349</u>	<u>\$169,475</u>	<u>\$8,508,525</u>

(Continued)

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>			
<b>Liabilities:</b>			
Accounts payable	\$11,015	\$2,079	
Accrued wages and benefits	215,177	6,841	
Compensated absences payable	3,330		
Pension obligation payable	43,584		
Advance from other funds			
Due to other governments	80	\$200	
Deferred revenue	826,105		\$50,613
Due to students			
Total liabilities	1,099,291	9,120	50,613
<b>Equity and other credits:</b>			
Investment in general fixed assets			
Retained earnings: unreserved			
Fund balances:			
Reserved for encumbrances	106,840	22,776	25,457
Reserved for supplies inventory	17,718		
Reserved for prepayments	5,255		
Reserved for tax revenue unavailable for appropriation	143,413		8,786
Reserved for budget stabilization	16,504		
Reserved for advances	5,058		
Unreserved-undesignated (deficit)	145,851	31,616	4,242
Total equity and other credits	440,639	54,392	38,485
<b>Total liabilities, equity and other credits</b>	<b>\$1,539,930</b>	<b>\$63,512</b>	<b>\$89,098</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$125					\$13,219
6,012					228,030
3,218				\$141,545	148,093
12,645				27,930	84,159
5,058					5,058
					280
3,500					880,218
		\$26,578			26,578
<u>30,558</u>		<u>26,578</u>		<u>169,475</u>	<u>1,385,635</u>
			\$6,559,349		6,559,349
25,977	\$108				26,085
					155,073
					17,718
					5,255
					152,199
					16,504
					5,058
		3,940			185,649
<u>25,977</u>	<u>108</u>	<u>3,940</u>	<u>6,559,349</u>		<u>7,122,890</u>
<u><b>\$56,535</b></u>	<u><b>\$108</b></u>	<u><b>\$30,518</b></u>	<u><b>\$6,559,349</b></u>	<u><b>\$169,475</b></u>	<u><b>\$8,508,525</b></u>

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<b>Revenues:</b>					
From local sources					
Taxes	\$899,413		\$52,223		\$951,636
Earnings on investments	39,560				39,560
Other local revenues	35,978	\$92,797		\$61,416	190,191
Other revenue			141,180		141,180
Intergovernmental - State	2,076,585	36,319	40,299		2,153,203
Intergovernmental - Federal		65,989			65,989
<b>Total revenue</b>	<b>3,051,536</b>	<b>195,105</b>	<b>233,702</b>	<b>61,416</b>	<b>3,541,759</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	1,500,886	9,256	65,925		1,576,067
Special	255,078	69,760			324,838
Vocational	4,609				4,609
Support services					
Pupil	99,717	5,975			105,692
Instructional staff	94,469	6,882		425	101,776
Board of Education	8,391				8,391
Administration	290,066	4,306			294,372
Fiscal	117,320	499	1,629		119,448
Operations and maintenance	358,545	628	10,655		369,828
Pupil transportation	171,699	7,680	4,834		184,213
Central	432	6,924			7,356
Extracurricular activities	70,364	70,263		6,680	147,307
Facilities acquisition and construction	10,255		396,041	50,371	456,667
<b>Total expenditures</b>	<b>2,981,831</b>	<b>182,173</b>	<b>479,084</b>	<b>57,476</b>	<b>3,700,564</b>
Excess of revenues over expenditures	69,705	12,932	(245,382)	3,940	(158,805)
<b>Other financing sources (uses):</b>					
Operating transfers in		1			1
Operating transfers out		(1)			(1)
Proceeds from sale of assets	1,887				1,887
<b>Total other financing sources (uses)</b>	<b>1,887</b>				<b>1,887</b>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	71,592	12,932	(245,382)	3,940	(156,918)
Fund balances, July 1	364,016	41,460	283,867		689,343
Increase in reserve for inventory	5,031				5,031
<b>Fund balances, June 30</b>	<b>\$440,639</b>	<b>\$54,392</b>	<b>\$38,485</b>	<b>\$3,940</b>	<b>\$537,456</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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

	General		Variance: Favorable (Unfavorable)
	Revised Budget	Actual	
<b>Revenues:</b>			
From local sources			
Taxes	\$883,891	\$883,891	
Earnings on investments	28,806	28,806	
Other local revenues	70,914	13,623	(\$57,291)
Other revenue			
Intergovernmental - State	2,080,330	2,080,330	
Intergovernmental - Federal			
<b>Total revenues</b>	<b>3,063,941</b>	<b>3,006,650</b>	<b>(57,291)</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	1,602,371	1,552,646	49,725
Special	214,262	262,993	(48,731)
Vocational	11,770	4,609	7,161
Other	7,804		7,804
Support services			
Pupil	90,955	94,779	(3,824)
Instructional staff	54,861	83,916	(29,055)
Board of Education	13,191	8,160	5,031
Administrator	312,421	292,444	19,977
Fiscal	120,250	123,555	(3,305)
Operations and maintenance	408,795	380,505	28,290
Pupil transportation	179,823	206,550	(26,727)
Central		247	(247)
Extracurricular activities	74,824	76,441	(1,617)
Facilities acquisition and construction	56,800	10,255	46,545
<b>Total expenditures</b>	<b>3,148,127</b>	<b>3,097,100</b>	<b>51,027</b>
Excess of revenues over (under) expenditure	(84,186)	(90,450)	(6,264)
<b>Other financing sources (uses):</b>			
Refund of prior year's expenditure:	18,094	18,094	
Operating transfers in			
Operating transfers (out)	(2,000)		2,000
Advances in	50,000	50,000	
Advances (out)		(50,000)	(50,000)
Proceeds from sale of assets:	1,887	1,887	
<b>Total other financing sources (uses)</b>	<b>67,981</b>	<b>19,981</b>	<b>(48,000)</b>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	(16,205)	(70,469)	(54,264)
Fund balances, July 1	153,029	153,029	
<b>Fund balances, June 30</b>	<b>\$136,824</b>	<b>\$82,560</b>	<b>(\$54,264)</b>

(Continued)

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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

	Special Revenue		Variance: Favorable (Unfavorable)
	Revised Budget	Actual	
<b>Revenues:</b>			
From local sources			
Taxes			
Earnings on investments			
Other local revenues	\$93,957	\$89,832	(\$4,125)
Other revenue			
Intergovernmental - State	36,318	36,318	
Intergovernmental - Federal	62,547	62,547	
<b>Total revenues</b>	<b>192,822</b>	<b>188,697</b>	<b>(4,125)</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	5,750	9,256	(3,506)
Special		68,303	(68,303)
Vocational			
Other			
Support services			
Pupil		5,839	(5,839)
Instructional staff		4,540	(4,540)
Board of Education			
Administrator		4,001	(4,001)
Fiscal		298	(298)
Operations and maintenance	550	628	(78)
Pupil transportation	8,500	7,415	1,085
Central	2,000	6,918	(4,918)
Extracurricular activities	83,372	93,336	(9,964)
Facilities acquisition and construction			
<b>Total expenditures</b>	<b>100,172</b>	<b>200,534</b>	<b>(100,362)</b>
Excess of revenues over (under) expenditure	92,650	(11,837)	(104,487)
<b>Other financing sources (uses):</b>			
Refund of prior year's expenditure:	3,031	3,031	
Operating transfers in	4,001	4,001	
Operating transfers (out)		(4,001)	(4,001)
Advances in			
Advances (out)			
Proceeds from sale of assets			
<b>Total other financing sources (uses)</b>	<b>7,032</b>	<b>3,031</b>	<b>(4,001)</b>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	99,682	(8,806)	(108,488)
Fund balances, July 1	32,942	32,942	
<b>Fund balances, June 30</b>	<b>\$132,624</b>	<b>\$24,136</b>	<b>(\$108,488)</b>

Capital Projects			Expendable Trust		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$51,433	\$51,433			\$61,416	\$61,416
141,180	141,180				
40,299	40,299				
<u>232,912</u>	<u>232,912</u>			<u>61,416</u>	<u>61,416</u>
69,090	108,928	(\$39,838)		5,920	(5,920)
				425	(425)
1,100	1,629	(529)			
38,184	26,780	11,404			
	30,000	(30,000)			
6,825	404,978	(398,153)		760	(760)
				50,371	(50,371)
<u>115,199</u>	<u>572,315</u>	<u>(457,116)</u>		<u>57,476</u>	<u>(57,476)</u>
<u>117,713</u>	<u>(339,403)</u>	<u>(457,116)</u>		<u>3,940</u>	<u>3,940</u>
50,000	50,000				
	(50,000)	(50,000)			
<u>50,000</u>		<u>(50,000)</u>			
167,713	(339,403)	(507,116)		3,940	3,940
(114,995)	(114,995)				
<u>\$52,718</u>	<u>(\$454,398)</u>	<u>(\$507,116)</u>		<u>\$3,940</u>	<u>\$3,940</u>

(Continued)

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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

	Total (Memorandum only)		
	Budget Revised	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>			
From local sources			
Taxes	\$935,324	\$935,324	
Earnings on investments	28,806	28,806	
Other local revenues	164,871	164,871	
Other revenue	141,180	141,180	
Intergovernmental - State	2,156,947	2,156,947	
Intergovernmental - Federal	62,547	62,547	
<b>Total revenues</b>	<b>3,489,675</b>	<b>3,489,675</b>	
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	1,677,211	1,676,750	\$461
Special	214,262	331,296	(117,034)
Vocational	11,770	4,609	7,161
Other	7,804		7,804
Support services			
Pupil	90,955	100,618	(9,663)
Instructional staff	54,861	88,881	(34,020)
Board of Education	13,191	8,160	5,031
Administrator	312,421	296,445	15,976
Fiscal	121,350	125,482	(4,132)
Operations and maintenance	447,529	407,913	39,616
Pupil transportation	188,323	243,965	(55,642)
Central	2,000	7,165	(5,165)
Extracurricular activities	158,196	170,537	(12,341)
Facilities acquisition and construction	63,625	465,604	(401,979)
<b>Total expenditures</b>	<b>3,363,498</b>	<b>3,927,425</b>	<b>(563,927)</b>
Excess of revenues over (under) expenditure	126,177	(437,750)	(563,927)
<b>Other financing sources (uses):</b>			
Refund of prior year's expenditure	21,125	21,125	
Operating transfers in	4,001	4,001	
Operating transfers (out)	(2,000)	(4,001)	(2,001)
Advances in	100,000	100,000	
Advances (out)		(100,000)	(100,000)
Proceeds from sale of assets	1,887	1,887	
<b>Total other financing sources (uses)</b>	<b>125,013</b>	<b>23,012</b>	<b>(102,001)</b>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	251,190	(414,738)	(665,928)
Fund balances, July 1	70,976	70,976	
<b>Fund balances, June 30</b>	<b>\$322,166</b>	<b>(\$343,762)</b>	<b>(\$665,928)</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Types</u>		<b>Total (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	
<b>Operating revenues:</b>			
Tuition and fees	\$15,731		\$15,731
Sales/charges for services	112,942		112,942
Other operating revenues	912		912
	<u>129,585</u>		<u>129,585</u>
<b>Operating expenses:</b>			
Personal services	79,438		79,438
Contract services	993		993
Materials and supplies	76,878		76,878
Depreciation	1,420		1,420
Other operating expenses	621	\$10,944	11,565
	<u>159,350</u>	<u>10,944</u>	<u>170,294</u>
Operating loss	<u>(29,765)</u>	<u>(10,944)</u>	<u>(40,709)</u>
<b>Nonoperating revenues:</b>			
Operating grants	28,096		28,096
Federal commodities	12,469		12,469
Investment earnings	533		533
Loss on the sale of assets	(2)		(2)
Other nonoperating revenues		10,415	10,415
	<u>41,096</u>	<u>10,415</u>	<u>51,511</u>
Net income (loss)	11,331	(529)	10,802
Retained earnings at July 1	<u>14,646</u>	<u>637</u>	<u>15,283</u>
<b>Retained earnings at June 30</b>	<u><b>\$25,977</b></u>	<u><b>\$108</b></u>	<u><b>\$26,085</b></u>

*The notes to the general-purpose financial statements are an integral part of this statement.*

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Types</u>		<b>Total (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	
<b>Cash flows from operating activities:</b>			
Cash received from tuition and fees	\$15,731		\$15,731
Cash received from sales/service charges	112,942		112,942
Cash received from other operations	912		912
Cash payments for personal services	(78,892)		(78,892)
Cash payments for contract services	(1,066)		(1,066)
Cash payments for materials and supplies	(65,210)		(65,210)
Cash payments for other expenses	(621)	(\$10,944)	(11,565)
Net cash used in operating activities	(16,204)	(10,944)	(27,148)
<b>Cash flows from noncapital financing activities:</b>			
Cash received from operating grants	24,934		24,934
Cash received from other nonoperating activities		10,415	10,415
Net cash provided by noncapital financing activities	24,934	10,415	35,349
<b>Cash flows from investing activities:</b>			
Interest received	533		533
Net increase (decrease) in cash and cash equivalents	9,263	(529)	8,734
Cash and cash equivalents at beginning of year	24,152	637	24,789
<b>Cash and cash equivalents at end of year</b>	<b><u>\$33,415</u></b>	<b><u>\$108</u></b>	<b><u>\$33,523</u></b>
<b>Reconciliation of operating loss net cash used in operating activities:</b>			
Operating loss	(\$29,765)	(\$10,944)	(\$40,709)
<b>Adjustments to reconcile operating loss to net cash used in operating activities:</b>			
Depreciation	1,420		1,420
Federal donated commodities	12,469		12,469
Changes in assets and liabilities:			
Decrease in materials and supplies inventory	506		506
Decrease in prepayments	9		9
Decrease in accounts payable	(1,173)		(1,173)
Decrease in accrued wages and benefits	(351)		(351)
Increase in compensated absences payable	124		124
Increase in pension obligation payable	773		773
Decrease in deferred revenue	(216)		(216)
<b>Net cash used in operating activities</b>	<b><u>(\$16,204)</u></b>	<b><u>(\$10,944)</u></b>	<b><u>(\$27,148)</u></b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Old Fort Local School District (the District) is located in Seneca County and encompasses the towns of Old Fort and Fort Seneca. The District serves an area of approximately 49 square miles.

The District was established in 1841 through the consolidation of existing land areas and school districts and is organized under Section 2 and 3, Articles VI of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the school district is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District ranks as the 576<sup>th</sup> largest by enrollment among the 612 districts in the State, and 5th in Seneca County. It currently operates 1 elementary school and 1 comprehensive middle/high school. The District employs 41 non-certified and 25 certified employees to provide services to 556 students in grades K through 12 and various community groups.

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

The general purpose financial statements (GPFS) of the 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 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 District's significant accounting policies are described below.

**A. Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units.

The basic, but not the only, criterion for including a potential component unit within the reporting entity is the District's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations and the accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units. The following organizations are described due to their relationship with the District:

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**Public Entity Risk Pools**

North Central Ohio Trust (the Association)

This organization is a public entity risk pool consisting of the Seneca/Wyandot Educational Service Center, the Sandusky Educational Service Center, the five local school districts: Tiffin, Old Fort, Bettsville, Seneca East and New Riegel. The Association was established pursuant to ORC Section 9.833 in order to act as a common risk management and insurance program. The Association's Board of Directors is comprised of one member from each of the local school districts and educational service centers. The Seneca/Wyandot County Educational Service Center acts as fiscal agent. Refer to Note 10 for further information on this public entity risk pool.

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool. The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**Joint Venture Without Equity Interest**

Northern Ohio Educational Computer Association (NOECA)

NOECA is a joint venture among 41 school districts. The joint venture was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contributions.

NOECA is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have an equity interest in NOECA as the residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. Financial information can be obtained from the treasurer for the Erie County Educational Service Center, who serves as fiscal agent, at 2900 S. Columbus Avenue, Sandusky, Ohio 44870-5569.

**B. Fund Accounting**

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain

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assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

**1. Governmental Funds**

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

General Fund - The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - The 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 expenditures for specified purposes.

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

**2. Proprietary Funds**

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the District's proprietary fund types:

Enterprise Funds - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body 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 (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District or to other governments, on a cost-reimbursement basis.

**3. Fiduciary Funds**

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include expendable trust and agency funds. The expendable trust fund is accounted for in

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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. The agency funds are presented on a budget basis, with note disclosure, regarding revenue items which, in other fund types, would be subject to accrual and recorded on the combined balance sheet. At June 30, 1999, there were no accruals for the agency funds which, in other fund types, would be recognized on the combined balance sheet.

**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 general nature, the following account groups are used.

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

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

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

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

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

The modified accrual basis of accounting is followed for governmental funds and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 1999, and which are intended to finance fiscal 2000 operations, have been recorded as deferred revenues.

Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

The District reports deferred revenue 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. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the

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government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as donated commodities revenue.

**D. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 1999 is as follows:

1. Prior to January 15 of the preceding year, 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Seneca County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the 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 a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1999.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations 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.

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5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. Not all departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation. See Note 3 B.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. Supplemental appropriations legally enacted by the Board during fiscal 1999; however, none of these amendments were significant.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting and Note 11 provides disclosure of the encumbrances outstanding for enterprise funds at fiscal year end.

**E. Cash and Investments**

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

During fiscal 1999, the District's investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), a nonnegotiable certificate of deposit and a repurchase agreement. Investments in STAR Ohio are reported at fair value. Fair value is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Food Service enterprise fund receives

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interest earnings based upon Federal mandate. Interest revenue credited to the general fund during fiscal 1999 amounted to \$39,560 which includes \$19,561 assigned from other District funds.

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

An analysis of the Treasurer's investment account at year end is provided in Note 4.

**F. Inventory**

Inventories for all governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

**G. Prepayments**

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayment and deferrals are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**H. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

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<u>Asset</u>	<u>Life (years)</u>
Buildings	25 - 50
Furniture, Fixtures and Minor Equipment	5 - 20
Vehicles	4 - 6

**I. Intergovernmental Revenues**

In governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

**Entitlements**

General Fund

State Foundation Program

**Non-Reimbursable Grants**

Special Revenue Funds

Management Information Systems  
Disadvantaged Pupil Impact Aid  
Migrant Education - Basic State Grant Program  
Special Education - Grants to States  
Title I Grants to Local Educational Agencies  
Innovative Education Program Strategies  
Teacher Development  
Data Communication  
Textbook/Instructional Materials Subsidy  
Professional Development State Grants  
Safe and Drug-Free Schools and Communities - State Grants

Capital Projects Funds

Telecommunications Grant  
Technology Equity  
Emergency Building Repair Program  
Permanent Improvement

**Reimbursable Grants**

Proprietary

National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 61% of the District's operating revenue during the 1999 fiscal year.

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**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service and all employees with at least twenty years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

**K. Long-Term Obligations**

For long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**L. Fund Equity**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, tax revenue unavailable for appropriation, materials and supplies inventory, prepayments, advances, and budget stabilization. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under State statute.

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**M. Interfund Transactions**

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had no short-term interfund loans receivable or payable at June 30, 1999.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had long-term advances receivable and payable at June 30, 1999.

An analysis of interfund transactions is presented in Note 5.

**N. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by the State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established. See Note 16 for detail of statutory reserves

**O. Estimates**

The preparation of the GPFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the GPFS and accompanying notes. Actual results may differ from those estimates.

**P. Memorandum Only - Total Columns**

Total columns on the GPFS are captioned (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 changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Deficit Fund Balances/Retained Earnings**

Fund balance/retained earnings at June 30, 1999 included the following individual fund deficits:

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	<u>Deficit Balance</u>
<b>Special Revenue Funds</b>	
Title 1	(\$8)
Management Information Systems	(21)
Disadvantaged Pupil Impact Aid	(2,895)
 <b>Enterprise Funds</b>	
Preschool	(5,545)

These funds complied with Ohio state law, which does not permit a cash basis deficit at year end. The deficit fund balances/retained earnings in these funds are caused by accruing wage, benefit and pension obligations in accordance with GAAP. These deficits will be eliminated by intergovernmental revenues and other subsidies not recognized at June 30.

**B. Noncompliance**

The following accounts had expenditures in excess of appropriations for the fiscal year ended June 30, 1999 which is in violation of State law:

<u>Fund/Function</u>	<u>FY 99 Appropriations</u>	<u>Actual FY 99 Expenditures</u>	<u>Excess</u>
<b>General Fund</b>	\$3,150,127	\$3,153,591	\$3,464
 <b>Special Revenue Fund</b>			
Athletic Fund	43,557	58,145	14,588
Teacher Development Fund		4,506	4,506
Management Information Systems Fund		6,442	6,442
Disadvantaged Pupil Impact Aid Fund		21,627	21,627
Instructional Materials Subsidy Fund	2,000	4,000	2,000
Migrant Education Fund		14,627	14,627
Eisenhower Grant Fund		24,499	24,499
Chapter 1 Fund		17,162	17,162
Innovative Programs Fund		1,876	1,876
Drug Free School Fund		1,626	1,626
 <b>Capital Projects Fund</b>			
Permanent Improvement Fund	57,925	76,237	18,312
SchoolNet Plus Fund	21,109	52,238	31,129
Technology Equity Grant	(2,019)	9,800	11,819
Emergency Building Repair Fund	8,184	455,175	446,991
 <b>Internal Service Fund</b>			
Special Rotary Fund	7,000	10,943	3,943

Disclosure is presented at the function level within the fund rather than at the object level within the fund due to the practicality of determining these values.

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**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash Equivalents" and "Investments". State statutes require the classification of monies held by the District into three categories:

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee 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 District had \$75 in undeposited cash on hand which is included on the combined balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents."

*Cash with Fiscal Agent:* The District had cash held by the OME-RESA Health Benefits Consortium which is included on the balance sheet as "Cash with Fiscal Agent". The money held by the fiscal agent cannot be identified as an investment or deposit since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 1999, was \$215,132.

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

*Deposits:* At year end, the carrying amount of the District's deposits, including non-negotiable certificates of deposit, was \$53,801 and the bank balance, including non-negotiable certificates of deposit, was \$115,572. The entire bank balance was covered by federal depository insurance. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

*Investments:* The District's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. At June 30, 1999, the School District's had an investment in STAR Ohio. The carrying value and market value of funds on deposit with STAR Ohio was \$424,363. STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash and cash equivalents and investments on the combined balance sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$693,371	
Investment of the cash management pool:		
STAR Ohio	(424,363)	\$424,363
Cash with Fiscal Agent	(215,132)	
Cash on Hand	(75)	
GASB Statement No. 3	\$53,801	\$424,363

**NOTE 5 - INTERFUND TRANSACTIONS**

A. The following is a summarized breakdown of the District's operating transfers for fiscal year 1999:

	Transfers In	Transfers Out
<b>Special Revenue Funds</b>		
Chapter 1 Migrant Program	\$1	
Title 1		\$1
Total	\$1	\$1

B. The District had the following long-term advance outstanding at June 30, 1999:

	Advances To Other Funds	Advances From Other Funds
<b>General Fund</b>	\$5,058	
<b>Enterprise Funds</b>		
Preschool Fund		\$5,058
Total	\$5,058	\$5,058

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 1998 taxes were collected was \$30,915,646. Agricultural/residential, minerals and public utility real estate represented \$20,843,150 or 67.42% of this total; Commercial & Industrial real estate represented \$2,422,550 or 7.84% of this total; public utility tangible represented \$3,657,340 or 11.83% of this total and general tangible property represented \$3,992,606 or 12.91% of this total. The voted general tax rate at the fiscal year ended June 30, 1999 was \$40.00 per \$1,000.00 of assessed valuation for operations and \$1.50 per \$1,000.00 of assessed valuation for permanent improvements.

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

The Seneca County Treasurer and Sandusky County Treasurer collect property taxes on behalf of the District. The Seneca County Auditor and Sandusky County Auditor periodically remit to the District their portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

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, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. A total of \$152,199 was available to the District as an advance at June 30 and is recognized as revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1999, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 1999 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). Intergovernmental receivables have been reported as "due from other governments" on the combined balance sheet. 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 receivables follows:

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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

	Amounts
<b>General Fund</b>	
Taxes - current and delinquent	\$969,518
Accounts	4,583
Accrued Interest	1,069
Advances to other funds	5,058
<b>Special Revenue Funds</b>	
Accounts	610
<b>Capital Projects Funds</b>	
Taxes - current and delinquent	59,399
<b>Enterprise</b>	
Due from other governments	3,162

**NOTE 8 - FIXED ASSETS**

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

	Balance July 1, 1998	Increase	Decrease	Balance June 30, 1999
Land/Improvements	\$37,196	\$55,800		\$92,996
Buildings/Improvements	5,462,025			5,462,025
Furniture/Equipment	478,781	80,928	(\$14,392)	545,317
Vehicles	459,011			459,011
<b>Total</b>	<b>\$6,437,013</b>	<b>\$136,728</b>	<b>(\$14,392)</b>	<b>\$6,559,349</b>

There was no significant construction in progress.

A summary of the proprietary fixed assets at June 30, 1999 follows:

Furniture and Equipment	\$50,754
Less: Accumulated depreciation	(36,037)
<b>Net fixed assets</b>	<b>\$14,717</b>

**NOTE 9 - LONG-TERM OBLIGATIONS**

**A.** During the year ended June 30, 1999, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid.

	Balance July 1, 1998	Increase	Decrease	Balance June 30, 1999
Compensated Absences:				
Sick leave (severance)	\$107,310	\$31,312	(\$3,057)	\$135,565
Vacation	5,970	36,667	(36,657)	5,980
	113,280	67,979	(39,714)	141,545
Pension obligation payable	25,605	27,930	(25,605)	27,930
<b>Total</b>	<b>\$138,885</b>	<b>\$95,909</b>	<b>(\$65,319)</b>	<b>\$169,475</b>

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 1999 are a voted debt margin of \$2,782,408 and an unvoted debt margin of \$30,916.

**NOTE 10 - RISK MANAGEMENT**

**A. Comprehensive**

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, boiler/machinery and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90% coinsured. The following is a description of the District's insurance coverage:

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:	Harcum-Hyre		
Each occurrence		\$2,000,000	
Aggregate		\$5,000,000	
Property	Indiana Insurance	\$12,187,677	\$1,000
Fleet:	Auto Owners Mutual Insurance		
Bodily Injury:			
Each Occurrence		\$500,000	
Aggregate		\$1,000,000	
Comprehensive		Actual Cash Value	
Collision		Actual Cash Value	\$250
Umbrella liability	Cincinnati Insurance	\$3,000,000	
Boiler and machinery	Cincinnati Insurance	\$500,000	\$500

**B. Health Insurance**

The District joined together with other area school districts to form the North Central Ohio Trust, a public entity risk pool for seven member school districts. The risk of loss transfers entirely to the pool. The pool is self-sustaining through member premiums. The District paid a monthly premium to the pool for health insurance. The agreement for formation of the pool provided that it will be self-sustaining through member premiums and the pool will purchase stop-loss insurance policies through commercial companies to cover claims in excess of \$50,000 for any employee.

**C. Workers' Compensation**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 2.A.). 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 Ohio School Boards Association. 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.

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 11 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains four enterprise funds to account for the operations of food service, uniform school supplies, preschool and a farm. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 1999.

	<u>Food Service</u>	<u>Uniform School Supply</u>	<u>Preschool</u>	<u>Farm</u>	<u>Total</u>
Operating revenue	\$111,295	\$302	\$17,988		\$129,585
Operating expenses before depreciation	140,118	147	17,200	465	157,930
Depreciation	1,420				1,420
Operating income (loss)	(30,243)	155	788	(465)	(29,765)
Operating grants	28,096				28,096
Federal commodities	12,469				12,469
Net income (loss)	10,853	155	788	(465)	11,331
Net working capital	17,971	155	(5,545)	1,897	14,478
Total assets	54,272	155	211	1,897	56,535
Total liabilities	24,802		5,756		30,558
Total equity (deficit)	29,470	155	(5,545)	1,897	25,977
Encumbrances outstanding at 6/30/00	96		32		128

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent of annual salary; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the SERB within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$52,179, \$49,207 and \$57,127, respectively; 31.9 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$35,556 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code.

STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the STRB, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$201,396, \$190,422 and \$200,213, respectively; 83.3 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$33,624 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement 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

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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

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 this fiscal year, the Board allocated employer contributions equal to eight percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$115,083 during fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998 (the latest information available). For the year ended June 30, 1998 (the latest information available), net health care costs paid by STRS were \$219.224 million and STRS had 91,999 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. 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. Expenses for health care at June 30, 1998 (the latest information available), were \$111.9 million and the target level was \$139.9 million. At June 30, 1998 (the latest information available), SERS had net assets available for payment of health care benefits of \$160.3 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$31,733 during the 1999 fiscal year.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations and changes in fund balance is done on a GAAP basis, the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis)

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

**Excess of Revenues and Other Financing  
Sources Over (Under) Expenditures and Other  
Financing Uses**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Budget basis	(\$70,469)	(\$8,806)	(\$339,403)
Net adjustment for revenue accruals	44,886	6,406	790
Net adjustment for expenditure accruals	(2,666)	(6,644)	67,774
Net adjustment for other financing sources (uses)	(18,094)	(3,031)	
Encumbrances (budget basis)	117,935	25,007	25,457
GAAP basis	<u>\$71,592</u>	<u>\$12,932</u>	<u>(\$245,382)</u>

**NOTE 15 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is involved in no litigation as either plaintiff or defendant.

**C. State School Funding Decision**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$1,977,020 of total school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The court concluded, "...the mandate of the (Ohio) Constitution has not been

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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

fulfilled.” The Court’s majority recognized efforts by the Ohio General Assembly taken in response to the Court’s March 24, 1997, decision, however, it found seven “...major areas warrant further attention, study, and development by the General Assembly...,” including the State’s reliance on local property tax funding, the state’s basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State’s School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

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

As of the date of these financial statements, the 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 16 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 1998			\$16,504
Current year set-aside requirement	\$40,191	\$40,191	
Current year offsets	(7,767)	(56,832)	
Qualifying disbursements	(82,961)		
Total	<u>(\$50,537)</u>	<u>(\$16,641)</u>	<u>\$16,504</u>
Cash balance carried forward to FY 2000			<u>\$16,504</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, 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.

A schedule of the restricted assets at June 30, 1999 follows:

Amount restricted for budget stabilization	<u>\$16,504</u>
Total restricted assets	<u>\$16,504</u>



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

Old Fort Local School District  
Seneca County  
7635 North County Road 51  
P.O. Box 64  
Old Fort, Ohio 44861-0064

To the Board of Education:

We have audited the financial statements of Old Fort Local School District as of and for the year ended June 30, 1999, and have issued our report thereon dated December 6, 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 Old Fort Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-10574-001. We also noted an instance of noncompliance that we have reported to management of the District in a separate letter dated December 6, 2000.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 6, 2000.

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

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

**Jim Petro**  
Auditor of State

December 6, 2000

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 1999**

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

**FINDING NUMBER 1999-10574-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.41 (B) states that no subdivision shall make any expenditures of money unless it has been appropriated. Expenditures exceeded appropriations in the following funds during fiscal year 1999:

<u>Fund/Function</u>	<u>FY 99 Appropriations</u>	<u>Actual FY 99 Expenditures</u>	<u>Excess</u>
<b>General Fund</b>	\$3,150,127	\$3,153,591	\$3,464
<b>Special Revenue Fund</b>			
Athletic Fund	43,557	58,145	14,588
Teacher Development Fund		4,506	4,506
Management Information Systems Fund		6,442	6,442
Disadvantaged Pupil Impact Aid Fund		21,627	21,627
Instructional Materials Subsidy Fund	2,000	4,000	2,000
Migrant Education Fund		14,627	14,627
Eisenhower Grant Fund		24,499	24,499
Chapter 1 Fund		17,162	17,162
Innovative Programs Fund		1,876	1,876
Drug Free School Fund		1,626	1,626
<b>Capital Projects Fund</b>			
Permanent Improvement Fund	57,925	76,237	18,312
School Net Plus Fund	21,109	52,238	31,129
Technology Equity Grant	(2,019)	9,800	11,819
Emergency Building Repair Fund	8,184	455,175	446,991
<b>Internal Service Fund</b>			
Special Rotary Fund	7,000	10,943	3,943

This occurred due to a problem initializing the budgetary input in the software. This could result in over spending the fund cash balance. The District had received sufficient revenue to obtain an amended certificate and amend appropriations. It is recommended the procedures for amending appropriations be followed in the future.

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**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**CORRECTIVE ACTION PLAN  
JUNE 30, 1999**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
1999-49726-001	The budgetary system will be initialized in order to correct this issue.	7/1/00	Sharon Perry





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**OLD FORT LOCAL SCHOOL DISTRICT**

**SENECA 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 9, 2001**