

EASTWOOD LOCAL SCHOOL DISTRICT

AUDIT REPORT

For the Year Ended June 30, 1999

Charles E. Harris & Associates
Certified Public Accountants

EASTWOOD LOCAL SCHOOL DISTRICT

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**EASTWOOD LOCAL SCHOOL DISTRICT
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ELECTED OFFICIALS

<u>BOARD OF EDUCATION</u>	<u>TITLE</u>	<u>TERM OF OFFICE</u>	<u>SURETY</u>
David Becker	President	1-1-98 to 12-31-01	(A)
Betty Kahlenberg	Vice-President	1-1-98 to 12-31-01	(A)
Dennis Helm	Member	1-1-98 to 12-31-01	(A)
Cathy Miller	Member	1-1-96 to 12-31-99	(A)
Ron Schulte	Member	1-1-96 to 12-31-99	(A)

(A) Nationwide Mutual Company in the amount of \$20,000

**EASTWOOD LOCAL SCHOOL DISTRICT
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For the Year Ended June 30, 1999**

ADMINISTRATIVE PERSONNEL

<u>TITLE</u>	<u>TERM OF OFFICE OR CONTRACT PERIOD</u>	<u>SURETY</u>
<u>Superintendent:</u>		
William McFarland	1-1-99 to 7-1-01	(A)
<u>Treasurer:</u>		
David R. Michel	2-1-98 to 1-31-01	(A)

LEGAL COUNSEL:

Alan R. Mayberry
Wood County Prosecuting Attorney
Courthouse Square
Bowling Green, Ohio 43402

(A) Nationwide Mutual Insurance Company in the amount of \$20,000.

**EASTWOOD LOCAL SCHOOL DISTRICT
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For the Year Ended June 30, 1999**

INDEX OF FUNDS AND ACCOUNT GROUPS

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General Fund

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Martha Holden Jennings Grant Funds

Athletic Fund

Disadvantaged Pupil Program Fund

Educational Television Grant Fund

Community Education Fund

Teacher Development Fund

Early Childhood Education Fund

Educational Management Information System Fund

Head Start Fund

Public School Preschool Fund

DPIA - Disadvantaged Pupils Impact Fund

Instructional Material Subsidy Fund

Miscellaneous State Funds

ESEA, Title I: Instructional Programs for Migrant Children Fund

Vocational Education Fund

Chapter I - Special Educational Needs of Disadvantaged Children Fund

Chapter II - Consolidation of Federal Programs for Elementary and Secondary Education

Drug Free Grant Funds

Miscellaneous Federal Grant Funds

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**EASTWOOD LOCAL SCHOOL DISTRICT
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For the Year Ended June 30, 1999**

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Special Trust Funds

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Early Childhood Services Fund

Student Activity Funds

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General Fixed Assets Account Group

General Long-Term Obligations Account Group

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Columbus, Ohio 43216-1140

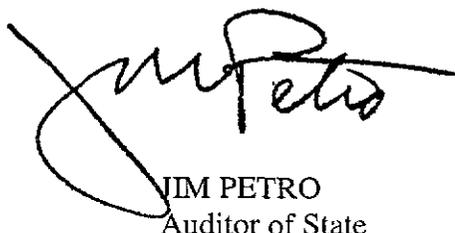
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Board of Education
Eastwood Local School District
Pemberville, Ohio

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

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



JIM PETRO
Auditor of State

March 23, 2000

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Rockefeller Building, Suite 1242
Cleveland, Ohio 44113
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT

Board of Education
Eastwood Local School District
Pemberville, Ohio

We have audited the accompanying general purpose financial statements of Eastwood Local School District (the District), as of and for the year ended June 30, 1999. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 1999, and the results of its operations and 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 a report dated February 3, 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 made for the purpose of forming an opinion on the general purpose financial statements of the Eastwood Local School District taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Charles E. Harris & Associates

Charles E. Harris & Associates
February 3, 2000

EASTWOOD LOCAL SCHOOL DISTRICT

COMBINED BALANCE SHEET
All Fund Types and Account Groups
June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS				
Equity in pooled cash and investments	\$ 1,553,346	239,661	149,816	5,349,132
Restricted cash	500,000	-	-	-
Receivables:				
Taxes	4,010,807	-	298,470	240,623
Intergovernmental	-	-	-	-
Interfund receivables	135,503	-	-	-
Prepaid Items	3,444	-	-	-
Inventory held for resale	-	-	-	-
Fixed assets (Net, where applicable, of accumulated depreciation)	-	-	-	-
Amount available in debt service funds	-	-	-	-
Amount to be provided from general government resources	-	-	-	-
Total Assets	\$ 6,203,100	239,661	448,286	5,589,755
LIABILITIES				
Accounts payable	\$ 26,845	6,617	-	23,513
Accrued wages and benefits	905,884	19,631	-	-
Compensated absences payable	17,695	-	-	-
Interfund payable	-	106,276	-	10,551
Pension obligation payable	146,064	1,676	-	-
Due to other governments	33,509	15,864	-	-
Deferred revenue	3,827,763	-	283,845	229,767
Undistributed monies	-	-	-	-
Due to students	-	-	-	-
Energy conservation loan payable	516,000	-	-	595,000
General obligation bonds payable	-	-	-	-
Total Liabilities	\$ 5,473,760	150,064	283,845	858,831
FUND EQUITY AND OTHER CREDITS				
Investment in general fixed assets	-	-	-	-
Retained earnings	-	-	-	-
Fund balance:				
Reserved for encumbrances	\$ 1,873	11,906	-	105,144
Reserve for prepaid items	3,444	-	-	-
Reserved for property taxes	183,044	-	14,625	18,926
Reserved for budget stabilization	500,000	-	-	-
Reserved for debt service	-	-	149,816	-
Unreserved: undesignated	40,979	77,691	-	4,606,854
Total Fund Equity	729,340	89,597	164,441	4,730,924
Total Liabilities, Fund Equity and Other Credits	\$ 6,203,100	239,661	448,286	5,589,755

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	(Memorandum Only)
\$ 4,402	232	244,855	-	-	7,541,444
-	-	-	-	-	500,000
-	-	-	-	-	4,549,900
24,017	-	-	-	-	24,017
-	-	-	-	-	135,503
-	-	-	-	-	3,444
14,359	-	-	-	-	14,359
9,513	-	-	8,802,464	-	8,811,977
-	-	-	-	164,441	164,441
-	-	-	-	6,072,179	6,072,179
<u>\$ 52,291</u>	<u>232</u>	<u>244,855</u>	<u>8,802,464</u>	<u>6,236,620</u>	<u>27,817,264</u>
\$ 907	-	21,944	-	-	79,826
7,473	-	70,168	-	-	1,003,156
35,508	-	-	-	707,344	760,547
18,150	-	526	-	-	135,503
11,262	-	15,980	-	79,584	254,566
1,128	-	5,623	-	-	56,124
10,651	-	-	-	-	4,352,026
-	-	72,116	-	-	72,116
-	-	57,390	-	-	57,390
-	-	-	-	-	1,111,000
-	-	-	-	5,449,692	5,449,692
\$ 85,079	-	243,747	-	6,236,620	13,331,946
\$ (32,788)	232	-	8,802,464	-	8,802,464
-	-	429	-	-	(32,556)
-	-	-	-	-	119,352
-	-	-	-	-	3,444
-	-	-	-	-	216,595
-	-	-	-	-	500,000
-	-	-	-	-	149,816
-	-	679	-	-	4,726,203
<u>(32,788)</u>	<u>232</u>	<u>1,108</u>	<u>8,802,464</u>	<u>-</u>	<u>14,485,318</u>
<u>\$ 52,291</u>	<u>232</u>	<u>244,855</u>	<u>8,802,464</u>	<u>6,236,620</u>	<u>27,817,264</u>

EASTWOOD LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
All Governmental Fund Types and Similar Trust Fund
For the Year Ended June 30, 1999

	Governmental Fund Types			Fiduciary	Total (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Expendable Trust
REVENUES:						
Taxes	\$ 4,085,581	-	165,716	229,243	-	4,480,540
Intergovernmental	5,477,212	359,568	-	192,017	-	6,028,797
Interest	172,375	-	-	99,459	-	271,834
Tuition and fees	60,770	5,354	-	-	-	66,124
Extracurricular activities	-	307,068	-	-	7,480	314,548
Miscellaneous	102,583	8,262	-	-	64	110,909
Total Revenues	9,898,521	680,252	165,716	520,719	7,544	11,272,752
EXPENDITURES:						
Instruction	5,690,815	514,942	-	76,943	-	6,282,700
Support Services:						
Pupils	353,760	41,002	-	-	-	394,762
Instructional staff	243,344	30,191	-	6,700	8,245	288,480
Board of education	29,801	-	-	-	-	29,801
Administration	1,829,352	64,475	275	264	-	1,894,366
Fiscal	275,784	16,438	1,000	1,572	-	294,794
Operation and maintenance of plant	803,888	8,391	-	436,316	-	1,248,595
Pupil transportation	769,101	16,366	-	-	-	785,467
Central	-	2,120	-	-	-	2,120
Operation of non-instructional services	-	6,984	-	-	-	6,984
Extracurricular activities	126,091	169,581	-	-	-	295,672
Capital outlay	-	-	-	300,988	-	300,988
Debt Service:						
Interest and fiscal charges	31,730	-	-	64,660	-	96,390
Total Expenditures	10,153,666	870,490	1,275	887,443	8,245	11,921,119
Excess of Revenues Over/(Under) Expenditures	(255,145)	(190,238)	164,441	(366,724)	(701)	(648,367)
Other Financing Sources/(Uses):						
Refund of prior year expenditures	23,322	-	-	-	-	23,322
Proceeds from sale of fixed assets	1,027	80	-	-	-	1,107
Premium on bonds	1,608	-	-	3,162	-	4,770
Proceeds of bonds	516,000	-	-	4,933,692	-	5,449,692
Operating transfers - in	-	2,071	-	-	-	2,071
Operating transfers - out	(2,071)	-	-	-	-	(2,071)
Total Other Financing Sources/(Uses)	539,886	2,151	-	4,936,854	-	5,478,891
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	284,741	(188,087)	164,441	4,570,130	(701)	4,830,524
Fund Balance/(Deficit) - July 1	444,599	277,684	-	160,794	1,809	884,886
Fund Balance/(Deficit) - June 30	\$ <u>729,340</u>	<u>89,597</u>	<u>164,441</u>	<u>4,730,924</u>	<u>1,108</u>	<u>5,715,410</u>

See accompanying notes to the general purpose financial statements

EASTWOOD LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual (Budgetary Basis)
 All Governmental Fund Types and Similar Trust Funds
 For the Year Ended June 30, 1999

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES:						
Taxes	\$ 3,134,648	3,134,648	-	-	-	-
Intergovernmental	5,477,212	5,477,212	-	392,497	392,497	-
Interest	172,375	172,375	-	-	-	-
Tuition and fees	60,770	60,770	-	5,354	5,354	-
Extracurricular activities	-	-	-	307,068	307,068	-
Miscellaneous	102,583	102,583	-	8,262	8,262	-
Total Revenues	8,947,588	8,947,588	-	713,181	713,181	-
EXPENDITURES:						
Current:						
Instruction	3,412,013	5,088,588	(1,676,575)	308,383	508,206	(199,823)
Support Services:						
Pupils	245,836	339,051	(93,215)	37,893	40,389	(2,496)
Instructional support	142,493	223,864	(81,371)	48,771	52,590	(3,819)
Board of education	517	28,905	(28,388)	-	-	-
Administration	599,335	1,700,078	(1,100,743)	49,928	69,807	(19,879)
Fiscal	117,135	279,472	(162,337)	5,062	16,608	(11,546)
Oper. and mtce. of plant	761,834	787,821	(25,987)	160,115	11,266	148,849
Pupil transportation	295,098	767,818	(472,720)	15,256	16,366	(1,110)
Central	-	-	-	1,976	2,120	(144)
Operation of noninstructional services	-	-	-	7,383	6,984	399
Extracurricular activities	16,652	129,802	(113,150)	166,288	186,418	(20,130)
Capital outlay	-	-	-	-	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total Expenditures	5,590,913	9,345,399	(3,754,486)	801,055	910,754	(109,699)
Excess of Revenues Over/ (Under) Expenditures	3,356,675	(397,811)	(3,754,486)	(87,874)	(197,573)	(109,699)
Other Financing Sources/(Uses):						
Premium and accrued interest on bonds	-	-	-	-	-	-
Advances in	-	-	-	106,276	106,276	-
Advances out	-	(106,276)	(106,276)	-	-	-
Transfers in	-	-	-	2,071	2,071	-
Transfers out	-	(2,071)	(2,071)	-	-	-
Sale of bonds	-	-	-	-	-	-
Sale of notes	516,000	516,000	-	-	-	-
Sale of assets	1,027	1,027	-	80	80	-
Refund of prior year expenditures	23,322	23,322	-	-	-	-
Total Other Financing Sources/(Uses)	540,349	432,002	(108,347)	108,427	108,427	-
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	3,897,024	34,191	(3,862,833)	20,553	(89,146)	(109,699)
Fund Balance/(Deficit) July 1	1,399,459	1,399,459	-	168,966	168,966	-
Prior year encumbrances appropriated	73,371	73,371	-	141,320	141,320	-
Fund Balance/(Deficit) June 30	\$ 5,369,854	1,507,021	(3,862,833)	330,839	221,140	(109,699)

See accompanying notes to the general purpose financial statements

EASTWOOD LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual (Budgetary Basis)
 All Governmental Fund Types and Similar Trust Funds
 For the Year Ended June 30, 1999

	Debt Service Fund			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES:						
Taxes	\$ 988,321	988,321	-	253,429	222,559	(30,870)
Intergovernmental	-	-	-	414,575	192,017	(222,558)
Interest	-	-	-	-	99,459	99,459
Tuition and fees	-	-	-	-	-	-
Extracurricular activities	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total Revenues	988,321	988,321	-	668,004	514,035	(153,969)
EXPENDITURES:						
Current:						
Instruction	-	-	-	362,893	88,469	274,424
Support Services:						
Pupils	-	-	-	-	-	-
Instructional support	-	-	-	-	6,700	(6,700)
Board of education	-	-	-	-	-	-
Administration	275	275	-	-	264	(264)
Fiscal	1,000	1,000	-	-	1,572	(1,572)
Oper. and mtce. of plant	-	-	-	189,620	462,462	(272,842)
Pupil transportation	-	-	-	-	-	-
Central	-	-	-	-	-	-
Operation of noninstructional services	-	-	-	-	-	-
Extracurricular activities	-	-	-	-	-	-
Capital outlay	-	-	-	-	396,829	(396,829)
Debt Service:						
Principal	805,500	805,500	-	-	4,340,000	(4,340,000)
Interest	31,730	31,730	-	-	64,660	(64,660)
Total Expenditures	838,505	838,505	-	552,513	5,360,956	(4,808,443)
Excess of Revenues Over/ (Under) Expenditures	149,816	149,816	-	115,491	(4,846,921)	(4,962,412)
Other Financing Sources/(Uses):						
Premium and accrued interest on bonds	4,462	4,462	-	308	308	-
Advances in	-	-	-	-	-	-
Advances out	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Sale of bonds	1,110,000	1,110,000	-	5,034,459	4,339,692	(694,767)
Sale of notes	-	-	-	-	4,935,000	4,935,000
Sale of assets	-	-	-	-	-	-
Refund of prior year expenditures	-	-	-	-	-	-
Total Other Financing Sources/(Uses)	1,114,462	1,114,462	-	5,034,767	9,275,000	4,240,233
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	1,264,278	1,264,278	-	5,150,258	4,428,079	(722,179)
Fund Balance/(Deficit) July 1	-	-	-	155,627	155,627	-
Prior year encumbrances appropriated	-	-	-	39,915	39,915	-
Fund Balance/(Deficit) June 30	\$ 1,264,278	1,264,278	-	5,345,800	4,623,621	(722,179)

See accompanying notes to the general purpose financial statements

EASTWOOD LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual (Budgetary Basis)
 All Governmental Fund Types and Similar Trust Funds
 For the Year Ended June 30, 1999

	Expendable Trust Fund			Total - (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES:						
Taxes	-	-	-	4,376,398	4,345,528	(30,870)
Intergovernmental	-	-	-	6,284,284	6,061,726	(222,558)
Interest	-	-	-	172,375	271,834	99,459
Tuition and fees	-	-	-	66,124	66,124	-
Extracurricular activities	\$ 7,481	7,481	-	314,549	314,549	-
Miscellaneous	64	64	-	110,909	110,909	-
Total Revenues	7,545	7,545	-	11,324,639	11,170,670	(153,969)
EXPENDITURES:						
Current:						
Instruction	-	-	-	4,083,289	5,685,263	(1,601,974)
Support Services:						
Pupils	-	-	-	283,729	379,440	(95,711)
Instructional support	8,674	8,674	-	199,938	291,828	(91,890)
Board of education	-	-	-	517	28,905	(28,388)
Administration	-	-	-	649,538	1,770,424	(1,120,886)
Fiscal	-	-	-	123,197	298,652	(175,455)
Oper. and mtce. of plant	-	-	-	1,111,569	1,261,549	(149,980)
Pupil transportation	-	-	-	310,354	784,184	(473,830)
Other support services	-	-	-	1,976	2,120	(144)
Operation of noninstructional services	-	-	-	7,383	6,984	399
Extracurricular activities	-	-	-	182,940	316,220	(133,280)
Capital outlay	-	-	-	-	396,829	(396,829)
Debt Service:						
Principal	-	-	-	805,500	5,145,500	(4,340,000)
Interest	-	-	-	31,730	96,390	(64,660)
Total Expenditures	8,674	8,674	-	7,791,660	16,464,288	(8,672,628)
Excess of Revenues Over/ (Under) Expenditures	(1,129)	(1,129)	-	3,532,979	(5,293,618)	(8,826,597)
Other Financing Sources/(Uses):						
Premium and accrued interest on bonds	-	-	-	4,770	4,770	-
Advances in	-	-	-	106,276	106,276	-
Advances out	-	-	-	-	(106,276)	(106,276)
Transfers in	-	-	-	2,071	2,071	-
Transfers out	-	-	-	-	(2,071)	(2,071)
Sale of bonds	-	-	-	6,144,459	5,449,692	(694,767)
Sale of notes	-	-	-	516,000	5,451,000	4,935,000
Sale of assets	-	-	-	1,107	1,107	-
Refund of prior year expenditures	-	-	-	23,322	23,322	-
Total Other Financing Sources/(Uses)	-	-	-	6,798,005	10,929,891	4,131,886
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(1,129)	(1,129)	-	10,330,984	5,636,273	(4,694,711)
Fund Balance/(Deficit) July 1	1,773	1,773	-	1,725,825	1,725,825	-
Prior year encumbrances appropriated	35	35	-	254,641	254,641	-
Fund Balance/(Deficit) June 30	\$ 679	679	-	12,311,450	7,616,739	(4,694,711)

See accompanying notes to the general purpose financial statements

EASTWOOD LOCAL SCHOOL DISTRICT
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>		<u>Total (Memo Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	
<u>Operating revenues:</u>			
Food services	\$ 376,982	-	376,982
Classroom materials and fees	59,057	-	59,057
Extracurricular activities	-	10,784	10,784
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	436,039	10,784	446,823
<u>Operating expenses:</u>			
Salaries	182,621	-	182,621
Fringe benefits	71,569	-	71,569
Purchased services	1,853	-	1,853
Materials and supplies	299,008	-	299,008
Depreciation expense	2,535	-	2,535
Other operating expenses	655	11,841	12,496
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	558,241	11,841	570,082
Operating Income/(Loss)	(122,202)	(1,057)	(123,259)
<u>Nonoperating revenues/(expenses):</u>			
Federal donated commodities	74,230	-	74,230
Other nonoperating revenues	14,946	138	15,084
Interest	274	-	274
	<hr/>	<hr/>	<hr/>
Total Nonoperating Revenues/(expenses)	89,450	138	89,588
Net Income(Loss)	(32,752)	(919)	(33,671)
Retained Earnings/(Deficit) - July 1	(36)	1,151	1,115
Retained Earnings/(Deficit) - June 30	\$ (32,788)	232	(32,556)

See accompanying notes to the general purpose financial statements

EASTWOOD LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF CHANGES IN CASH FLOWS
All Proprietary Fund Types
For the Year Ended June 30, 1999

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total</u>
Cash flows from operating activities:			
Net operating income/(loss)	\$ (122,202)	(1,057)	(123,259)
Adjustments to reconcile net income/ (loss) to net cash provided/(used) by operating activities:			
Commodities expense related to noncash grant	74,230	-	74,230
Depreciation	2,535		
(Increase)/decrease in assets:			
Due from other governments	(12,058)	-	(12,058)
Inventories	2,596	-	2,596
Increase/(decrease) in liabilities:			
Accounts payable	281	-	281
Accrued wages and benefits	3,751	-	3,751
Compensated absences payable	8,369	-	8,369
Pension obligation payable	(2,322)	-	(2,322)
Deferred revenue	10,651	-	10,651
Due to other governments	(350)	-	(350)
	<u> </u>	<u> </u>	<u> </u>
Net cash provided/(used) for operating activities	\$ (34,519)	(1,057)	(38,111)
Cash flows from noncapital financing activities:			
Other non-operating revenues	\$ 14,946	138	15,084
Interest	274	-	274
	<u> </u>	<u> </u>	<u> </u>
Net cash provided/(used) for noncapital financing activities	\$ 15,220	138	15,358
Cash flows from capital financing activities:			
Capital acquisitions	\$ (1,100)	-	(1,100)
	<u> </u>	<u> </u>	<u> </u>
Net cash provided/(used) for capital financing activities	\$ (1,100)	-	(1,100)
	<u> </u>	<u> </u>	<u> </u>
Net increase/(decrease) in cash and cash equivalents	\$ (20,399)	(919)	(23,853)
Cash and cash equivalents, July 1, 1998	<u>24,801</u>	<u>1,151</u>	<u>25,952</u>
Cash and cash equivalents, June 30, 1999	<u>\$ 4,402</u>	<u>232</u>	<u>4,634</u>

See accompanying notes to the general purpose financial statements

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately 27 square miles. It is located in Wood County, and includes the territories of the Villages of Pemberville and Luckey and the Townships of Freedom, Troy, Webster, Middleton, and Perrysburg. It is staffed by 76 non-certificated employees and 111 certificated full-time teaching personnel who provide services to 1,914 students and other community members. The School District currently operates 6 instructional buildings, 1 administrative building, and a garage.

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization, or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent of the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

Based on the above description, there are no component units within the School District.

The School District is involved with two organizations which are defined as jointly governed organizations and an insurance purchasing pool. These organizations are the Maumee Valley & Computer Association, the Penta County Vocational School, and the Ohio School Boards Association Worker's Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 to the General Purpose Financial Statements.

The following activities are included within the reporting entity as an agency fund:

Special Education Regional Resource Center (SERRC) - a separate body corporate and politic within the District's boundaries. The federal Department of Education provides funding to the SERRC, which is received and disbursed through the District's financial records, at the direction of the SERRC.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 provided 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. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types:

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

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Fund Types: (continued)

Debt Service Funds - 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).

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 the 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.

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.

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:

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Account Groups: (continued)

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

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

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., 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 operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

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

In applying the "susceptible to accrual" concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available in the County Auditor's Office, interest, tuition, grants, and student fees.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

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.

C. Budgetary Process

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

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

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

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process (continued)

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

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process (continued)

Appropriations: (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. 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. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent - year expenditures for governmental funds and reported in the notes to the general purpose financial statements for proprietary funds.

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, there were no investments.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$172,375, to the capital projects fund \$99,459 and to the enterprise fund \$274.

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 School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

E. Inventory

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

F. Prepaid Items

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

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them, instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (on 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.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Fixed Assets and Depreciation (continued)

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

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over estimated useful lives ranging from 8 to 20 years.

H. Intergovernmental Revenues

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

I. Interfund Assets/Liabilities

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

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the General Long-Term Debt Account Group. In proprietary funds, the entire amount of compensated absences is reported as fund liability.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds, regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the General Long-Term Debt Account Group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Debt Account Group until due.

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

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of short-term liabilities in the funds that received the proceeds.

L. Bond Premiums and Discounts

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

M. Interfund Transactions

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

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

N. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, prepaid items, property taxes, debt service, and the budget stabilization reserve. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Contributed Capital

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

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1996, the exact amount of contributed capital cannot be determined.

P. Estimates

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

Q. Total Columns on General Purpose Financial Statements

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 1999, the School District has implemented GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans." The statement established accounting policies for deferred compensation plans set up in a trust. The implementation of GASB Statement No. 32 had no effect on fund balance/retained earnings as it was previously reported as of June 30, 1998.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Excess of Revenues and Other Financing Sources
Over/(Under) Expenditures and Other Financing Uses -
All Governmental Fund Types and Similar Trust Fund

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$ 284,741	\$ (188,087)	\$ 164,441	\$4,570,130	\$ (701)
Revenue Accruals	(952,541)	139,205	1,937,067	4,331,462	1
Expenditure Accruals	730,709	(21,741)	(837,230)	(4,344,856)	-
Encumbrances	<u>(28,718)</u>	<u>(18,523)</u>	<u>-</u>	<u>(128,657)</u>	<u>(429)</u>
Budget Basis	<u>\$ 34,191</u>	<u>\$ (89,146)</u>	<u>\$1,264,278</u>	<u>\$4,428,079</u>	<u>\$ (1,129)</u>

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits 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.

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

1. *United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;*
2. *Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;*
3. *Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;*
4. *Bond 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) 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);*

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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, 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$8,041,444 and the bank balance was \$8,395,968. Of the bank balance, \$200,000 was covered by federal depository insurance and \$8,195,968 was uninsured, but collateralized with securities held by the pledging financial institution's trust department or agent not in the District's name. Although the securities serving as collateral were held by the pledging financial institution's trust department not in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

NOTE 6 - PROPERTY TAXES (continued)

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 full tax rate applied to real property for the fiscal year ended June 30, 1999 was \$44.70 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$27.467686 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$30.848450 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

The rate applied to tangible personal property for the fiscal year ended June 30, 1999 was \$44.70 per \$1,000 of assessed valuation.

The School District receives property taxes from Wood 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 represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$183,044 in the General Fund, \$14,625 in the Debt Service Fund, and \$18,926 in the Capital Projects Fund.

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

	<u>1998</u>	<u>1997</u>
Real Property -		
Residential/Agricultural	\$ 90,229,740	\$ 83,683,030
Commercial/Industrial	9,307,590	9,179,980
Public Utility	156,360	128,940
Tangible Personal Property -		
Personal	11,882,492	9,942,156
Public Utilities	<u>23,638,430</u>	<u>24,767,470</u>
Total Valuation	<u>\$ 135,214,612</u>	<u>\$ 127,701,576</u>

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

NOTE 7 - RECEIVABLES

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

NOTE 8 - FIXED ASSETS

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

	<u>Balance</u> <u>June 30, 1999</u>
Furniture and Equipment	\$ 157,100
Less Accumulated Depreciation	<u>(147,587)</u>
Net Fixed Assets	<u>\$ 9,513</u>

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

<u>Asset Category</u>	<u>Balance</u> <u>at</u> <u>6/30/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>at</u> <u>6/30/99</u>
Land and Improvements	\$ 261,067	-	-	\$ 261,067
Buildings and Improvements	6,040,011	-	-	6,040,011
Furniture, Fixtures and Equipment	1,802,530	\$ 106,656	\$ (6,000)	1,903,186
Vehicles	<u>598,200</u>	<u>-</u>	<u>-</u>	<u>598,200</u>
Total General Fixed Assets	<u>\$8,701,808</u>	<u>\$ 106,656</u>	<u>\$ (6,000)</u>	<u>\$8,802,464</u>

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 1999, the District has entered into contracts with Nationwide Insurance Company for general liability insurance. Professional liability is protected by Nationwide Insurance Company with \$1,000,000 each occurrence, \$5,000,000 aggregate limit.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

NOTE 9 - RISK MANAGEMENT (continued)

Vehicles are covered by Indiana Insurance Company and hold a \$100 deductible for comprehensive. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years. Also, the District did not reduce the limits of liability significantly in the current year.

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Eastwood Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement 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 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1999, 7.7 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$262,192, \$237,988, and \$211,556, respectively; 49.8 percent has been contributed for fiscal year 1999 and 100 percent for fiscal year 1998 and 1997. \$130,638 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds and the General Long-Term Debt Account Group.

B. State Teachers Retirement System

The Eastwood Local School District participates 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. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent, 6.0 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$723,614, \$652,950, and \$638,721, respectively, 82.9 percent has been contributed for fiscal year 1999 and 100 percent for fiscal year 1998 and 1997. \$123,928 represents the unpaid contributions for fiscal year 1999 and is recorded as a liability within the respective funds.

NOTE 11 - 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 obligation 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 monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board allocated employer contributions were 8.0 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$149,824 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, 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 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 6.3 percent of covered payroll for the fiscal year 1998 (the latest information available). 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.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

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 \$111,900,575 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. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$325,626 during the 1999 fiscal year.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Classified and Administrative employees with one or more years of service are entitled to vacation ranging from 5 to 20 days. Employees with less than one year of service earn a pro-rata vacation rate per month worked. At June 30, 1999, a liability of \$50,378 has been provided in several funds and the General Long-Term Debt Account Group for earned, but unused vacation leave.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service. This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to 25% of the accumulated sick leave benefits up to 50 days for all employees. The sick leave liability is \$35,508 in the Enterprise Fund, and \$674,661 in the General Long-Term Debt Account Group.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Educational Employees' Life Insurance Trust and to classified employees through Core Source.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

NOTE 13 - DEBT OBLIGATIONS

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

	Balance Outstanding <u>6/30/98</u>	<u>Additions</u>	<u>Deductions</u>	Balance Outstanding <u>6/30/99</u>
<u>Short-term obligations:</u>				
Energy Conservation Note 3.950%	\$ 225,000	-	\$ (225,000)	-
Energy Conservation Note 4.0%	-	\$ 516,000	-	\$ 516,000
Energy Conservation Note 3.950%	580,500	-	(580,500)	-
Energy Conservation Note 4.0%	-	<u>595,000</u>	-	<u>595,000</u>
Total Short-Term Notes	<u>\$ 805,500</u>	<u>\$1,111,000</u>	<u>\$ (805,500)</u>	<u>\$ 1,111,000</u>
<u>Long-term obligations:</u>				
General Obligation Bonds:				
H.S. addition and renovation 5.2792%	-	\$4,339,692	-	\$ 4,339,692
Energy Conservation 4.5611%	-	<u>1,110,000</u>	-	<u>1,110,000</u>
Total general obligation bonds	-	5,449,692	-	5,449,692
Pension Benefit Obligations	\$ 44,952	79,584	(44,952)	79,584
Worker's Compensation	51,853	-	\$ (51,853)	-
Compensated Absences	<u>483,399</u>	<u>223,945</u>	-	<u>707,344</u>
Total Long Term Obligations	<u>\$ 580,204</u>	<u>\$5,753,221</u>	<u>\$ (96,805)</u>	<u>\$ 6,236,620</u>

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid. The current year activity for compensated absences is netted for practical purposes.

The School District's voted legal debt margin was \$6,883,064 with an unvoted debt margin of \$135,215 at June 30, 1999.

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

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

NOTE 13 - DEBT OBLIGATIONS (continued)

<u>Fiscal Year</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2000	\$ 205,000	\$ 261,672	\$ 466,672
2001	215,000	231,751	446,751
2002	220,000	221,744	441,744
2003	235,000	211,117	446,117
2004	245,000	199,801	444,801
2005-2009	1,400,000	830,566	2,230,566
2010-2014	534,692	1,005,512	1,540,204
2015-2019	1,050,000	469,775	1,519,775
2020-2024	<u>1,345,000</u>	<u>174,375</u>	<u>1,519,375</u>
Totals	<u>\$ 5,449,692</u>	<u>\$3,606,313</u>	<u>\$9,056,005</u>

NOTE 14 - INTERFUND ACTIVITY

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

<u>Fund Type/Fund</u>	<u>Interfund</u> <u>Receivables</u>	<u>Interfund</u> <u>Payables</u>
General Fund	\$ 135,503	-
Special Revenue Funds:		
Title 1	-	\$ 19,929
Goals 2000	-	86,347
Capital Project Fund:		
Permanent Improvement	-	10,551
Enterprise Fund:		
Food Service	-	18,150
Agency Fund:		
SERRC	-	526
Total All Funds	<u>\$ 135,503</u>	<u>\$135,503</u>

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Eastwood Local School District as of and for the fiscal year ended June 30, 1999.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$ 376,982	\$ 59,057	\$ 436,039
Operating Expenses less			
Depreciation	499,124	56,582	555,706
Depreciation Expense	2,535	--	2,535
Operating Income (Loss)	(124,677)	2,475	(122,202)
Donated Commodities	74,230	--	74,230
Intergovernmental revenue	14,946	--	14,946
Interest	274	--	274
Net Income (Loss)	(35,227)	2,475	(32,752)
Net Working Capital	(8,642)	1,849	(6,793)
Total Assets	49,560	2,731	52,291
Total Equity	(34,637)	1,849	(32,788)
Encumbrances Outstanding			
At June 30, 1999	126	667	793

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

The School District is a participant in the Maumee Valley & Computer Association (MAVCA) which is a computer consortium. MAVCA is an association made up of seventeen participating school districts and two county board. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. MAVCA is governed by an assembly consisting of the superintendents, or treasurers, or other designees of the member school districts. The assembly exercises total control over the operation of MAVCA including budgeting, appropriating, contracting and designating management. All the MAVCA revenues are generated from charges for services and state funding. To obtain information write to 30095 Oregon Road, Perrysburg, Ohio 43551.

The Penta County Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the sixteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Penta County Vocational School, Carrie Herringshaw, who serves as Treasurer, at 30095 Oregon Road, Perrysburg, Ohio 43551.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

NOTE 17 - INSURANCE PURCHASING POOL

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 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 cost of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP.

The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school district 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 ensures 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. In accordance with the above, the OSBA Group Rating Program has not been included as a component unit of the reporting entity.

NOTE 18 - 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 Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$5,019,141 of school foundation support for its general fund.

Since the supreme court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined that 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 time, the 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 the the Common Pleas Court declared unconstitutional.

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.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

NOTE 19 - 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.

NOTE 20 - YEAR 2000 ISSUE

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

Eastwood Local School District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as the State of Ohio Uniform School Accounting System software for its financial reporting and the State Education Management and Information System (EMIS) for its educational statistics reporting.

To the best of management's knowledge and belief, as of February 3, 2000, the government experienced no significant interruption of mission-critical operations or services related to the Year 2000 Issue. However, because of the unprecedented nature of the Year 2000 Issue, matters may yet arise, and parties with whom the District does business may also experience Year 2000 readiness issues that are as of yet, unknown.

NOTE 21- SET-ASIDE REQUIREMENTS

The District is required by State statute to annually set aside an amount based on prior year revenues for the purchase of textbooks and other instructional materials and an additional amount for capital improvements. Amounts not spent by year-end or offset by similarly restricted sources must be held in cash at year-end and carried forward to be used for the same purpose in future years. Amounts are also to be set aside if the District's base amount used for the yearly set-aside calculation increases three percent (3%) or more from the prior year. This amount is included in the budget stabilization reserve.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

NOTE 21- SET-ASIDE REQUIREMENTS - (continued)

The following information describes the changes in the amounts set aside for textbooks and instructional materials, capital improvements and budget stabilization from the end of the prior year to the end of the current year.

	<u>Textbooks</u>	<u>Capital Improvement</u>	<u>Budget reserve</u>	<u>Total</u>
Set aside balance as of June 30, 1998	-	\$ -	\$ 55,435	\$ 55,435
Current year set-aside requirement	\$ 271,018	-	444,565	\$ 986,601
Qualifying expenditures	\$(384,196)	\$ 271,018	\$(500,000)	\$(1,215,112)
Totals	<u>\$(113,178)</u>	<u>\$ (330,916)</u>	<u>-</u>	<u>\$ (73,076)</u>
Cash balance carried forward to FY2000	<u>-</u>	<u>\$ (59,898)</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>
Amount restricted for budget stabilization				<u>\$ 500,000</u>
Total restricted assets				<u>\$ 500,000</u>

Although the District had qualifying expenditures 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 not presented as being carried forward to the next fiscal year.

Eastwood Local School District
Schedule of Federal Awards Expenditures
June 30, 1999

Federal Grantor/Program Title	PassThrough Number	CFDA Number	Federal Revenues	Federal Expenditures
U.S. Department of Agriculture				
<i>Passed through State Department of Education</i>				
Nutrition Cluster:				
Food Distribution Program - See Note 2	N/A	10.550	\$ 26,046	\$ 26,046
National School Lunch Program	050674-04-PU-998	10.555	74,230	74,230
Total U.S. Department of Agriculture - Nutrition Cluster			100,276	100,276
U.S. Department of Education				
<i>Passed through State Department of Education</i>				
Special Education Cluster:				
SERRC - EC 1999	050674-PG-S7-99	84.173	10,000	524
SERRC - 1999	050674-6B-SI-99P	84.027	28,246	28,246
SERRC - 1999	050674-6B-SI-99P	84.027	1,104,298	1,008,144
SERRC - 1998	050674-6B-SF-98P	84.027	293,500	312,191
SERRC - 1998	050674-6B-SF-98	84.027	35,252	30,216
SERRC - 1999	050674-6B-II-99P	84.027	52,416	22,464
Total Special Education Cluster			1,523,712	1,401,785
Title I - FY 98	050674-C1-S1-98	84.010	41,227	61,157
Title I - 1999	050674-C1-S1-99	84.010	11,932	39,997
Total Title I			53,159	101,154
Migrant Education - Basic State Formula Grant	050674-MG-S1-98	84.011	-	15,852
Migrant Education - Basic State Formula Grant	050674-MG-S1-99	84.011	35,000	18,651
Total Migrant Education - Basic State Formula Grant			35,000	34,503
Chapter II - FY 98	050674-C2-S1-98	84.298	-	6,828
Chapter II - 1999	050674-C2-S1-99	84.298	6,963	-
Total Chapter II			6,963	6,828
School Year Training	050674-PD-A1-98	84.029	-	12,500
Goals 2000	05674-G2-SP-98C	84.276	45,039	35,351
Goals 2000	05674-G2-SP-99C	84.276	77,898	234,101
Goals 2000	05674-G2-SP-99C	84.276	1,045	1,045
Total Goals 2000			123,982	270,497
Drug-Free Grant - FY 97	050674-DR-S1-97	84.186	-	7,835
Drug-Free Grant - FY 98	050674-DR-S1-98	84.186	-	10,179
Drug-Free Grant - FY 99	050674-DR-S1-99	84.186	2,921	-
Total Drug-Free Grant			2,921	18,014
Total U.S. Department of Education			1,745,737	1,845,281
Total Federal Financial Assistance			\$ 1,846,013	\$ 1,945,557

See accompanying notes to the Schedule of Federal Awards Expenditures

Eastwood Local School District
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 1999

1. **Significant Accounting Policies**

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

2. **Food Distribution**

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had food commodities in inventory recorded in the Enterprise Fund.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

**Board of Education
Eastwood Local School District
Pemberville, Ohio**

We have audited the general purpose financial statements of the Eastwood Local School District as of and for the year ended June 30, 1999, and have issued our report thereon dated February 3, 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 that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item ES-99-1. Also, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated February 3, 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 we have reported to the management of the District in a separate letter dated February 3, 2000.

This report is intended for the information and use of the Board, management, 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.

Charles E. Harris & Associates

Charles E. Harris & Associates

February 3, 2000

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

**Board of Education
Eastwood Local School District
Pemberville, Ohio**

Compliance

We have audited the compliance of the Eastwood Local School District with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 1999. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 1999.

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*.

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

This report is intended for the information and use of management, the Board, 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.

Charles E. Harris Associates

Charles E. Harris & Associates
February 3, 2000

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

EASTWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY
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)?	No
(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?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510	No
(d)(1)(vii)	Major Programs:	Nutrition Cluster CFDA 10.550, 10.555 Title I CFDA 84.010 Goals 2000 CFDA 84.276 Drug Free Schools CFDA 84.186
(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 AND QUESTIONED COSTS - (continued)
OMB CIRCULAR A-133 SECTION .505

EASTWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY
JUNE 30, 1999

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

Finding # ES-99-1

Section 5705.41 (D), Revised Code, requires that encumbrances be charged against proper appropriations. Section 5705.41 (B), Revised Code, prohibits the District from making an appropriation unless its has been properly appropriated. The following fund/fuctions had expenditures plus encumbrances exceed appropriations:

General Fund	
Instruction	\$ 1,676,575
Support Services-Pupils	93,215
Support Services-Insrt. Support	81,371
Support Services-Admisitrative	1,100,743
Support Services-Fiscal Services	162,337
Support Services-Transportation	472,720
Extracurricular Activities	113,150
Transfer-Out	106,276
Special Revenue Funds	
Public School Support/Instruction	38,930
Goals 2000/Instructions	124,002
Capital Projects Funds	
SchoolNet/Instructions	274,424
Permanent Impr./Oper. & Maint,	272,842
Building/Capital Outlay	396,829
Building/Principal	4,340,000
Building/Interest	64,660
Enterprise Funds	
Food Service/Fringe Benefits	35,684

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of June 30, 1998, did not include material citations or recommendations.

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STATE OF OHIO
OFFICE OF THE AUDITOR

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EASTWOOD LOCAL SCHOOL DISTRICT

WOOD COUNTY

CLERK'S CERTIFICATION

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

By: Susan Babbitt

Date: APRIL 11, 2000