



**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Balance Sheet – All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental and Fiduciary Fund Types	6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – All Governmental and Fiduciary Fund Types	8
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings – Proprietary Fund Type	12
Combined Statement of Cash Flows – Proprietary Fund Type	13
Notes to the General-Purpose Financial Statements	15
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	35

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REPORT OF INDEPENDENT ACCOUNTANTS

Edon Northwest Local School District
Williams County
309 West Indiana Street
Edon, Ohio 43518-9620

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Jim Petro
Auditor of State

December 13, 1999

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**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,019,780	\$92,704	\$24,681	\$173,984
Cash and Cash Equivalents:				
With Fiscal Agents		1,515		
Receivables:				
Taxes	805,792		63,910	77,560
Accounts	230			
Intergovernmental	1,076			23,088
Interfund Receivable	38,097			
Materials and Supplies Inventory	23,589	7,965		
Prepaid Items	7,576			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	41,724			
Fixed Assets				
Accumulated Depreciation				
Other Debits:				
Amount Available in Debt Service Fund				
Provided from General Government Resources				
Total Assets and Other Debits	<u>\$2,937,864</u>	<u>\$102,184</u>	<u>\$88,591</u>	<u>\$274,632</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$4,164	\$1,389		\$22,850
Accrued Wages and Benefits	271,666	15,875		
Compensated Absences Payable	6,636			
Interfund Payable				38,097
Intergovernmental Payable	52,565	2,237		
Deferred Revenue	696,153		\$55,068	75,444
Due to Students				
General Obligation Bonds Payable				
Total Liabilities	<u>1,031,184</u>	<u>19,501</u>	<u>55,068</u>	<u>136,391</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	123,712	7,571		68,021
Reserved for Inventory	23,589	7,965		
Reserved for Prepaid Items	7,576			
Reserved for Debt Service Principal			24,681	
Reserved for Advances	38,097			
Reserved for Property Taxes	109,639		8,842	2,116
Reserved for Budget Stabilization	41,724			
Unreserved:				
Unreserved, Undesignated	1,562,343	67,147		68,104
Total Fund Equity and Other Credits	<u>1,906,680</u>	<u>82,683</u>	<u>33,523</u>	<u>138,241</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$2,937,864</u>	<u>\$102,184</u>	<u>\$88,591</u>	<u>\$274,632</u>

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$40,815	\$17,648			\$2,369,612
				1,515
				947,262
695	307			1,232
				24,164
				38,097
6,932				38,486
				7,576
				41,724
116,286		\$5,933,923		6,050,209
(84,235)				(84,235)
			\$33,523	33,523
			1,365,409	1,365,409
\$80,493	\$17,955	\$5,933,923	\$1,398,932	\$10,834,574
				\$28,403
\$10,328				297,869
8,623			\$422,644	437,903
0				38,097
5,227			31,288	91,317
3,127				829,792
0	\$15,675			15,675
			945,000	945,000
27,305	15,675		1,398,932	2,684,056
		\$5,933,923		5,933,923
53,188				53,188
				199,304
				31,554
				7,576
				24,681
				38,097
				120,597
				41,724
	2,280			1,699,874
53,188	2,280	5,933,923		8,150,518
\$80,493	\$17,955	\$5,933,923	\$1,398,932	\$10,834,574

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

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Intergovernmental	\$2,558,229	\$178,994
Interest	122,196	392
Tuition and Fees	16,057	
Rent	400	
Extracurricular Activities	2,960	75,520
Gifts and Donations	2,625	11,743
Customer Services	1,083	650
Property and Other Local Taxes	942,380	14,000
Miscellaneous	78,171	660
Total Revenues	3,724,101	281,959
Expenditures:		
Current:		
Instruction:		
Regular	1,568,860	15,990
Special	189,303	107,258
Vocational	117,844	
Adult/Continuing	898	
Other	30,931	
Support Services:		
Pupils	151,683	18,109
Instructional Staff	136,292	10,689
Board of Education	8,855	
Administration	346,451	25,732
Fiscal	149,928	1,076
Business	24,621	
Operation and Maintenance of Plant	353,095	1,597
Pupil Transportation	244,024	
Central	18,411	778
Non-Instructional Services	164	30,996
Extracurricular Activities	109,230	67,212
Capital Outlay	500	
Debt Service:		
Principal		
Interest		
Total Expenditures	3,451,090	279,437
Excess of Revenues Over (Under) Expenditures	273,011	2,522
Other Financing Sources and Uses		
Operating Transfers In	1,243	
Other Financing Sources	3,054	
Operating Transfers Out	(18,000)	
Total Other Financing Sources and Uses	(13,703)	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	259,308	2,522
Fund Balance at Beginning of Year	1,647,372	80,161
Fund Balance at End of Year	\$1,906,680	\$82,683

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

Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$7,508	\$646,207 12,716	\$3,256	\$3,390,938 138,560 16,057 400 78,480 14,368 1,733
78,497	85,958	465	1,120,835 79,296
86,005	744,881	3,721	4,840,667
	47,460		1,632,310 296,561 117,844 898 30,931
	27,230 8,203	74 120	197,096 155,304 8,855 372,183
1,928	2,587		155,519 24,621
	120,157		474,849 244,024
		128	19,317 31,160 176,442
	1,409,617	118,373	1,528,490
5,000			5,000
52,253			52,253
59,181	1,615,254	118,695	5,523,657
26,824	(870,373)	(114,974)	(682,990)
	18,000		19,243 3,054 (18,000)
	18,000		4,297
26,824	(852,373)	(114,974)	(678,693)
6,699	990,614	117,254	2,842,100
\$33,523	\$138,241	\$2,280	\$2,163,407

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

	Governmental Fund Types		
	General		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$2,356,145	\$2,561,836	\$205,691
Interest	95,000	122,196	27,196
Tuition and Fees	16,600	15,996	(604)
Rent	400	400	
Extracurricular Activities	3,200	2,954	(246)
Gifts and Donations	2,700	2,625	(75)
Customer Services	1,600	1,083	(517)
Property and Other Local Taxes	843,558	927,365	83,807
Miscellaneous	81,200	78,417	(2,783)
Total Revenues	3,400,403	3,712,872	312,469
Expenditures:			
Current:			
Instruction:			
Regular	1,678,765	1,557,731	121,034
Special	249,000	192,999	56,001
Vocational	130,000	117,304	12,696
Adult/Continuing	4,500	1,777	2,723
Other	31,500	30,931	569
Support Services:			
Pupils	266,054	152,302	113,752
Instructional Staff	191,710	135,098	56,612
Board of Education	15,000	10,267	4,733
Administration	476,399	344,593	131,806
Fiscal	168,060	148,426	19,634
Business	39,000	24,955	14,045
Operation and Maintenance of Plant	733,288	362,891	370,397
Pupil Transportation	576,703	354,929	221,774
Central	29,040	27,566	1,474
Non-Instructional Services	2,000	164	1,836
Extracurricular Activities	129,529	107,248	22,281
Capital Outlay	273,143	500	272,643
Debt Service:			
Principal			
Interest			
Total Expenditures	4,993,691	3,569,681	1,424,010
Excess of Revenues Over (Under) Expenditures	(1,593,288)	143,191	1,736,479
Other Financing Sources and Uses			
Operating Transfers In	500	42,004	41,504
Proceeds from Sale of Fixed Assets	600		(600)
Refund of Prior Year Expenditures	814	2,819	2,005
Advances In			
Other Financing Sources	800	950	150
Operating Transfers Out	(58,761)	(58,761)	
Refund of Prior Year Receipts	(1,100)		1,100
Advances Out	(38,097)	(38,097)	
Other Financing Uses	(151,480)		151,480
Total Other Financing Sources and Uses	(246,724)	(51,085)	195,639
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,840,012)	92,106	1,932,118
Fund Balances at Beginning of Year	1,673,552	1,673,552	
Prior Year Encumbrances Appropriated	166,460	166,460	
Fund Balance at end of Year	\$1,932,118	\$1,932,118	\$1,932,118

Governmental Fund Types

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$177,117 391	\$181,917 392	\$4,800 1	\$6,700	\$7,508	\$808
75,154	75,581	427			
11,743	11,743				
650	650				
14,000	14,000		67,818	73,515	5,697
660	660				
<u>279,715</u>	<u>284,943</u>	<u>5,228</u>	<u>74,518</u>	<u>81,023</u>	<u>6,505</u>
31,206	16,041	15,165			
110,251	104,132	6,119			
35,733	18,109	17,624			
9,902	5,076	4,826			
27,503	25,760	1,743			
2,009	1,076	933	5,000	1,929	3,071
1,954	1,297	657			
47	47				
1,060	778	282			
34,970	34,444	526			
100,835	70,244	30,591			
			10,000	5,000	5,000
			<u>62,357</u>	<u>52,252</u>	<u>10,105</u>
<u>355,470</u>	<u>277,004</u>	<u>78,466</u>	<u>77,357</u>	<u>59,181</u>	<u>18,176</u>
<u>(75,755)</u>	<u>7,939</u>	<u>83,694</u>	<u>(2,839)</u>	<u>21,842</u>	<u>24,681</u>
(50)		50			
<u>(50)</u>		<u>50</u>			
(75,805)	7,939	83,744	(2,839)	21,842	24,681
72,727	72,727		2,839	2,839	
3,078	3,078				
<u>\$83,744</u>	<u>\$83,744</u>		<u>\$24,681</u>	<u>\$24,681</u>	

(Continued)

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

	Governmental Fund Types		
	Capital Projects		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$631,067	\$623,119	(\$7,948)
Interest	12,700	12,716	16
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Customer Services			
Property and Other Local Taxes	83,504	91,121	7,617
Miscellaneous			
Total Revenues	<u>727,271</u>	<u>726,956</u>	<u>(315)</u>
Expenditures:			
Current:			
Instruction:			
Regular	51,850	51,850	
Special			
Vocational			
Adult/Continuing			
Other			
Support Services:			
Pupils	44,750	36,480	8,270
Instructional Staff	8,203	8,203	
Board of Education			
Administration			
Fiscal	3,500	2,587	913
Business			
Operation and Maintenance of Plant	167,876	124,617	43,259
Pupil Transportation	8,772	8,272	500
Central			
Non-Instructional Services			
Extracurricular Activities			
Capital Outlay	1,517,625	1,495,340	22,285
Debt Service:			
Principal			
Interest			
Total Expenditures	<u>1,802,576</u>	<u>1,727,349</u>	<u>75,227</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,075,305)</u>	<u>(1,000,393)</u>	<u>74,912</u>
Other Financing Sources and Uses			
Operating Transfers In	18,000	18,000	
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Advances In	29,897	38,097	8,200
Other Financing Sources			
Operating Transfers Out			
Refund of Prior Year Receipts			
Advances Out			
Other Financing Uses			
Total Other Financing Sources and Uses	<u>47,897</u>	<u>56,097</u>	<u>8,200</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(1,027,408)</u>	<u>(944,296)</u>	<u>83,112</u>
Fund Balances at Beginning of Year	1,018,341	1,018,341	
Prior Year Encumbrances Appropriated	9,067	9,067	
Fund Balance at end of Year	<u><u>\$83,112</u></u>	<u><u>\$83,112</u></u>	

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

Fiduciary Fund Type		
Expendable Trust		
Budget	Actual	Variance: Favorable (Unfavorable)
\$3,248	\$3,256	\$8
300	465	165
3,548	3,721	173
99	74	25
128	121	7
20		20
134	127	7
120,421	118,373	2,048
120,802	118,695	2,107
(117,254)	(114,974)	2,280
(117,254)	(114,974)	2,280
117,254	117,254	
	\$2,280	\$2,280

Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)
\$3,171,029	\$3,374,380	\$203,351
111,339	138,560	27,221
16,600	15,996	(604)
400	400	
78,354	78,535	181
14,443	14,368	(75)
2,250	1,733	(517)
1,008,880	1,106,001	97,121
82,160	79,542	(2,618)
4,485,455	4,809,515	324,060
1,761,821	1,625,622	136,199
359,251	297,131	62,120
130,000	117,304	12,696
4,500	1,777	2,723
31,500	30,931	569
346,636	206,965	139,671
209,943	148,498	61,445
15,000	10,267	4,733
503,922	370,353	133,569
178,569	154,018	24,551
39,000	24,955	14,045
903,118	488,805	414,313
585,522	363,248	222,274
30,234	28,471	1,763
36,970	34,608	2,362
230,364	177,492	52,872
1,911,189	1,614,213	296,976
10,000	5,000	5,000
62,357	52,252	10,105
7,349,896	5,751,910	1,597,986
(2,864,441)	(942,395)	1,922,046
18,500	60,004	41,504
600		(600)
814	2,819	2,005
29,897	38,097	8,200
800	950	150
(58,761)	(58,761)	
(1,150)		1,150
(38,097)	(38,097)	
(151,480)		151,480
(198,877)	5,012	203,889
(3,063,318)	(937,383)	2,125,935
2,884,713	2,884,713	
178,605	178,605	
	\$2,125,935	\$2,125,935

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

	Proprietary Fund Type
	Enterprise
Operating Revenues:	
Sales	\$169,095
Other Revenues	609
Total Operating Revenues	169,704
Operating Expenses:	
Salaries	75,844
Fringe Benefits	16,576
Purchased Services	3,338
Materials and Supplies	152,982
Depreciation	9,221
Other	1,777
Total Operating Expenses	259,738
Operating Loss	(90,034)
Non-Operating Revenues:	
Federal Donated Commodities	25,355
Interest	481
Federal and State Subsidies	42,436
Total Non-Operating Revenues	68,272
Net Loss	(21,762)
Retained Earnings at Beginning of Year	74,950
Retained Earnings at End of Year	\$53,188

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

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

	Proprietary Fund Type
	Enterprise
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	
Cash Flows from Operating Activities:	
Cash Received from Sales	\$170,123
Other Cash Receipts	648
Cash Payments to Suppliers for Goods and Services	(129,883)
Cash Payments for Contract Services	(3,338)
Cash Payments for Employee Services	(75,423)
Cash Payments for Employee Benefits	(12,333)
Other Cash Payments	(1,777)
	(51,983)
Net Cash Used for Operating Activities	
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	42,436
	42,436
Cash Flows from Investing Activities:	
Interest on Investments	481
	481
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(10,956)
	(10,956)
Net Decrease in Cash and Cash Equivalents	(20,022)
Cash and Cash Equivalents at Beginning of Year	60,837
	\$40,815

**RECONCILIATION OF OPERATING LOSS TO NET CASH
 USED FOR OPERATING ACTIVITIES:**

Operating Loss	(\$90,034)
Adjustments to Reconcile Operating Loss To Net Cash Used for Operating Activities:	
Depreciation	9,221
Donated Commodities	25,355
Adjustments to Capital Outlay	(1,173)
(Increase) Decrease in Assets:	
Accounts Receivable	1,067
Material and Supplies Inventory	(417)
Increase (Decrease) in Liabilities:	
Compensated Absences Payable	88
Intergovernmental Payable	4,512
Deferred Revenue	(666)
Accrued Wages and Benefits	64
Total Adjustments	38,051
Net Cash Provided (Used) by Operating Activities	(\$51,983)

The Food Service Fund consumed donated commodities with a value of \$25,355.
 The use of these commodities are reflected as an operating expense.

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

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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Edon-Northwest Local School District (the District) operates under a locally elected five-member board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. The board oversees the operations of the District's two instructional/support facilities.

The Reporting Entity

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

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

The District is associated with five organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Joint Vocational School, the Northern Buckeye Education Council's Employee Insurance Benefits Program, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 13, 14, and 15 to the general-purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The modified accrual basis of accounting is followed for Governmental, Expendable Trust, and Agency Funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income determination. Under this basis of accounting:

1. Only current assets and current liabilities are generally included on their balance sheets.
2. Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

3. Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year end.
 - a. Revenue accrued at the end of the year included taxes, interest, student fees, and tuition.
 - b. Property taxes measurable but not available as of June 30, 1999 and delinquent property taxes, whose availability is indeterminate, have been recorded as deferred revenues.
4. Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources, rather than in the period earned by employees.

The Agency Funds are custodial in nature and do not present results of operations or have measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agent capacity.

The Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements.

B. Fund Accounting

The District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reporting in other funds. The restrictions associated with each class of funds are as follows:

1. Governmental Funds

The funds through which most Board of Education functions are typically financed.

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

Special Revenue Funds - The funds used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

Debt Service Funds - The funds used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. According to the governmental accounting principles, the Debt Service Fund accounts for the payment of long-term debt for Governmental Funds only. Under Ohio law, the Debt Service Fund might also be used to account for the payment of debt for Proprietary Funds and the short-term debt of both Governmental and Proprietary Funds.

Capital Projects Funds - The funds 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).

2. Fiduciary Funds

The funds used to account for assets not owned by the Board, but held for a separate entity.

Trust Funds - The funds used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust Funds.

Agency Funds - The funds used to account for assets held by the District as an agent.

3. Proprietary Funds

The funds used to account for Board activities that are similar to business operations in the private sector. Proprietary Funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund measurement focus is upon determination of net income, financial position and cash flows.

Enterprise Funds - The funds used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

4. Account Groups

General Fixed Assets - Fixed assets acquired or constructed for general governmental services are recorded as expenditures in the fund making the expenditures and capitalized at cost in the General Fixed Assets Account Group.

General Long-Term Obligations - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

C. Budgetary Accounting

Budgets are adopted on a cash basis.

The District is required by State statute to adopt an annual appropriation budget for all funds. The specific timetable is as follows:

1. Prior to January 15, the Treasurer submits 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. A public hearing is publicized and conducted to obtain taxpayers' comments. The purpose of this Budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board adopted budget is filed with the County Budget Commission for rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function and object level of expenditures, which are the legal levels of budgetary control.
4. By October 1, the annual appropriation measure for all funds is legally enacted by the Board of Education. The appropriation measure, by law, may not exceed the Certificate of Estimated Resources. The Certificate may be amended to include actual unencumbered balances at the June 30 fiscal year end or if projected increases or decreases in revenue are identified by the District during the year.
5. The District maintains budgetary control by not permitting expenditures to exceed appropriations within each fund, function and object without approval of the Board of Education. The Board permits management to make discretionary budgetary adjustments within each fund, which are approved by the Board on a monthly basis. Any adjustments that alter the total fund appropriation require specific action of the Board.
6. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

The District's budget (budget basis) for all funds accounts for certain transactions on a basis, which differs from generally, accepted accounting principles (GAAP basis). The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes.
2. Expenditures and expenses are recorded when paid in cash or encumbered for budget purposes as opposed to when the liability is incurred for GAAP purposes.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

An analysis of the difference between GAAP and budgetary basis for all governmental fund types for the year ended June 30, 1999 follows:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses				
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$92,106	\$7,939	\$21,842	(\$944,296)	(\$114,974)
Revenue Accruals	11,229	(2,983)	4,982	17,925	
Expenditure Accruals	(10,796)	(11,393)		21,223	
Other Sources/Uses	37,382			(38,097)	
Encumbrances	129,387	8,959		90,872	
GAAP Basis	\$259,308	\$2,522	\$26,824	\$(852,373)	(\$114,974)

D. Encumbrances

The District is required to use the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. 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 appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

E. Pooled Cash and Investments

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

During fiscal year 1999, investments were limited to STAR Ohio.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund and food service fund during fiscal year 1999 amounted to \$122,196 and \$481 respectively.

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

F. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted to create a reserve for budget stabilization. See Note 20 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserve.

G. Inventory

Inventories are valued at the lower of cost (first in, first out) or market, and are determined by physical count. Inventory in Governmental Funds consists of expendable supplies held for consumption. The cost has been recorded as an expenditure at the time individual inventory items were purchased. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

H. Property, Plant and Equipment

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during construction of general fixed assets is also not capitalized. Contributed fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500, except for the cost of textbooks. This is based primarily on the uniqueness of these items to a school operation. No depreciation is recognized for assets in General Fixed Assets Account Group. The District does not have any infrastructure.

2. Proprietary Funds

Property plant and equipment reflected in the Proprietary Funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Contributed fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided for furniture, fixtures, and equipment on a straight line basis over an estimated useful life of ten years.

I. Intergovernmental Revenues

In Governmental Funds, entitlements and non-reimbursable grants 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. Grants for Proprietary Fund operations are recognized as revenue when measurable and earned. This District currently participates in various state and federal programs, categorized as follows:

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Drug Free Grant

Title I Grant

Title VI Grant

Title VI-B Flow Through Grant

Senior Citizens Grant

Education Management Information Systems Grant (EMIS)

Title III-B Grant

Auxiliary Services Grant

Professional Development Grant

Textbooks/Instructional Materials Subsidy Grant

School-To-Work Grant

Eisenhower Grant

Preschool Disability Grant

Capital Projects Funds

School Net Plus Grant

Technology Equity Grant

Emergency School Building Repair Grant

Reimbursable Grants

General Fund

Driver Education Reimbursement

Vocational Education Equipment Grant

Special Revenue Fund

School to Work Program

Enterprise Fund

National School Lunch Program

Food Distribution Program

J. Interfund Transactions

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

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund loans receivable and interfund loans payable.

K. 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.

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, prepaid items, debt service, interfund loans, property taxes, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

M. Compensated Absences

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences". In conformity with GASB Statement No. 16, the District accrues vacation as earned by its employees if the leave is attributable to past service and it is probable that the District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement. Likewise, the District accrues for sick pay benefits as earned by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future. These compensated absences are measured using the rates in effect at June 30, 1999.

For governmental funds, the District provides a liability for unpaid accumulated sick leave and vacation time for eligible employees in the period the employees become eligible to receive payment. The current portion of unpaid compensated absences is the amount to be paid using expendable available resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability.

N. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This information is not comparable to a consolidation. Interfund-type eliminations have not been made in the combining of the data.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

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

A. Cash on Hand

At fiscal year end, the District had \$100 in undeposited cash on hand which is included on the balance sheet of the District as part of "equity in pooled cash and cash equivalents."

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

B. Deposits

At fiscal year end, the carrying amount of the District's deposits was \$123,343 and the bank balance was \$257,915. \$101,040 of the bank balance was covered by federal depository insurance. \$156,875 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at the year end. Category 1 includes investments that are insured and registered, or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes, uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the District's name.

Investments as of June 30, 1999 consisted of \$2,287,893 in STAR Ohio. The State Treasurer's Investment Pool (STAR Ohio) is not a categorized investment because it is not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

	<u>Cash and Cash</u> <u>Equivalents</u>
	\$2,412,851
GASB Statement 9	
Cash with Fiscal Agents	(1,515)
Cash on Hand	(100)
Star Ohio	<u>(2,287,893)</u>
GASB Statement 3	<u>\$123,343</u>

NOTE 4 - PROPERTY TAXES

Property taxes include amounts levied against real, public utility, and tangible property located within the District. All property is required to be reappraised every six years with a triennial update.

Real property taxes, excluding public utility property, are assessed at 35 percent of appraised market value. Pertinent real property tax dates are:

Collection Dates	January and July of the current year
Lien Date	January 1 of the year preceding the collection year
Levy Date	October 1 of the year preceding the collection year

Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value.

The taxes are based on assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Pertinent tangible personal property tax dates are:

Collection Dates	April and September of the current year
Lien Date	January 1 of the current year
Levy Date	October 1 of the year preceding the collection year

Most public utility tangible personal property currently is assessed at 35 percent of its true value. Pertinent public utility tangible personal property tax dates are:

Collection Dates	January and July of the current year
Lien Date	December 31 of the second year preceding the collection year
Levy Date	October 1 of the year preceding the collection year

The County Treasurer collects real estate property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in March and September.

The County Treasurer collects personal property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in May and October.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 1999. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion which is available to advance as of June 30, 1999.

The assessed values of properties upon which property tax revenues were based are as follows:

	Amount
Agricultural/Residential	\$30,994,060
Commercial/Industrial	2,871,880
Public Utility	4,644,230
General Personal Property	4,445,670
Total valuation	\$42,955,840

NOTE 5 - FIXED ASSETS

A summary of changes in the General Fixed Assets Account Group is as follows:

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$55,874			\$55,874
Buildings and Improvements	1,509,217	\$410,137		1,919,354
Furniture and Equipment	1,515,362	481,609	\$56,241	1,940,730
Vehicles	591,189	52,669		643,858
Text and Library Books	191,475	54,940		246,415
Construction in Progress	138,030	989,662		1,127,692
Totals	\$4,001,147	\$1,989,017	\$56,241	\$5,933,923

A summary of changes in the Enterprise Fund fixed assets is as follows:

Asset Category	Balance at 6/30/98	Additions	Reductions	Balance at 6/30/99
Furniture and Equipment	\$110,185	\$12,129	\$6,028	\$116,286
Less: Accumulated Depreciation	(81,042)	(9,221)	(6,028)	(84,235)
Totals	\$29,143	\$2,908		\$32,051

NOTE 6 - LONG-TERM OBLIGATIONS

During the year ended June 30, 1999, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

	Balance at 6/30/98	Additions	Deductions	Balance at 6/30/99
School Improvement Bond	\$950,000		\$5,000	\$945,000
Pension Obligation	27,704	\$3,584		31,288
Compensated Absences	395,759	26,885		422,644
Total Long-Term Obligations	<u>\$1,373,463</u>	<u>\$30,469</u>	<u>\$5,000</u>	<u>\$1,398,932</u>

Debt outstanding at June 30, 1999 consisted of school improvement bonds totaling \$945,000 (interest rates of the bonds vary from 4.00 to 6.00 percent) used to finance the construction of an addition to the Edon building. The bonds were issued on September 1, 1997 and will mature in December 2019.

Total expenditures for interest toward the school improvement bonds for the period ended June 30, 1999 was \$52,253.

The scheduled payments of principal and interest on debt outstanding at June 30, 1999 are as follows:

Years	Principal	Interest	Total
2000	\$20,000	\$51,733	\$71,733
2001	20,000	50,873	70,873
2002	25,000	49,870	74,870
2003	25,000	48,733	73,733
2004	25,000	47,570	72,570
2005-2009	170,000	215,165	385,165
2010-2014	240,000	161,581	401,581
2015-2019	340,000	77,100	417,100
2020	80,000	2,400	82,400
Totals	<u>\$945,000</u>	<u>\$705,025</u>	<u>\$1,650,025</u>

NOTE 7 - COMPENSATED ABSENCES

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Twelve employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. Certain employees are permitted to carry over vacation leave earned in the current year into the next year.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). 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 thirty percent of their accumulated sick leave balance, which cannot exceed 210 days. The maximum payout is 63 days.

At June 30, 1999 the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the General Long-Term Obligation Account Group were \$6,636 and \$422,644, respectively. The liability for compensated absences in the proprietary funds at June 30, 1999 was \$8,623.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

Effective August 1, 1995, the Board implemented a retirement incentive plan (the plan) for all STRS members who meet the eligibility requirements and elect to participate. The plan is in effect until June 30, 1999. STRS members who qualify for the plan must either:

1. Have been eligible for retirement when the plan became effective and retired by June 1, or
2. Give notice of intent to retire by April 30 of the year in which they become eligible to retire and retire at the end of the school year in which notice of intent to retire was given.

Qualifying members who elect to participate receive a service retirement recognition stipend of \$10,000. The District had one employee who was eligible for \$5,000 of the retirement incentive as of June 30, 1999.

NOTE 8 - PENSION AND RETIREMENT PLANS

A. State Teachers Retirement System

The State Teachers Retirement System of Ohio (STRS) a cost-sharing, multiple-employer public employee retirement system. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefits are established by Chapter 3307, of the Ohio Revised Code. STRS 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 STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 1999, were 9.3 percent of covered payroll for members and 14 percent for employers; 10.5 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The contributions to STRS for the years ending June 30, 1999, 1998, and 1997 were \$267,564, \$201,730, and \$233,675, respectively, 84 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$41,780 representing unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds.

B. School Employees Retirement System

The District contributes to the School Employees Retirement System (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. The School Employees Retirement System 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 SERS, 45 North Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. In fiscal year 1999, 9.02 percent was the portion used 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 contributions to SERS for the years ending June 30, 1999, 1998, and 1997 were \$90,390, \$51,810, and \$81,257, respectively,

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

57 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$38,454 representing unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds and the general long-term obligations account.

NOTE 9 - POSTEMPLOYMENT BENEFITS

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

For the fiscal year ended June 30, 1999, the Retirement Board allocates employer contributions equal to 2 percent of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1998, the board allocated employer contributions equal to 3.5 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2,156 million on June 30, 1998.

For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000. There were 91,999 eligible benefit recipients.

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

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 1998, the allocation rate is 4.98 percent. 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 1998, the minimum pay has been established as \$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.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, the Retirement System's net assets available for payment of health care benefits were \$160.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

For the District, the amount to fund health care benefits, including the surcharge, equaled \$41,574 during the 1999 fiscal year.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 10 - INSURANCE

Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90 percent coinsured. Settled claims have not exceeded the amount of commercial coverage in any of the past three years, and there has been no significant reduction in the amount of insurance coverage's from last year.

NOTE 11 - ENTERPRISE FUNDS SEGMENT INFORMATION

The District maintains two Enterprise Funds, which provide lunchroom/cafeteria and uniform school supply services. Segment information for the year ended June 30, 1999 was as follows:

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$149,285	\$20,419	\$169,704
Depreciation Expense	9,221		9,221
Operating Loss	(89,481)	(553)	(90,034)
Donated Commodities	25,355		25,355
Grants	42,436		42,436
Interest	481		481
Net Loss	(21,209)	(553)	(21,762)
Fixed Asset Additions	12,129		12,129
Fixed Asset (Deletions)	(6,028)		(6,028)
Net Working Capital	14,888	6,249	21,137
Total Assets	74,244	6,249	80,493
Total Liabilities	27,305		27,305
Total Equity	46,939	6,249	53,188

NOTE 12 - INTERFUND TRANSACTIONS

Transfers and advances between funds during the year ended June 30, 1999 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Advances In</u>	<u>Advances Out</u>
General Fund		\$18,000		\$38,097
Capital Project Funds	\$18,000		\$38,097	
Total All Funds	<u>\$18,000</u>	<u>\$18,000</u>	<u>\$38,097</u>	<u>\$38,097</u>

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams counties. 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 districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. All payments made by the District for services received are made to the Northern Buckeye Education Council. Financial information can be obtained from Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. The District paid \$250 for services received through NBEC. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Joint Vocational School

The Four County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the educational service centers from the counties of Defiance, Fulton, Henry, and Williams; one representative from each of the city school districts; one representative from each of the exempted village school districts; and one additional representative from Fulton County educational service center. The Four County Joint Vocational School possesses its own budgeting and taxing authority. No payments were made by the District to the Four County Joint Vocational School. To obtain financial information write to the Four County Joint Vocational School, Michele Zeedyk, who serves as treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

NOTE 14 - RISK MANAGEMENT

A. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance plans. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

B. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 15). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

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

NOTE 15 - INSURANCE POOLS

A. Northern Buckeye Education Council Employee Insurance Benefits Program

Northern Buckeye Education Council Employee (NBEC) Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during fiscal year ending June 30, 1999 was \$271,188. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under § 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During fiscal year ending June 30, 1999, the District paid an enrollment fee of \$463 to the WCGRP to cover the costs of administering the program.

NOTE 16 - CONTRACTUAL COMMITMENTS

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

Company	Amount Remaining
Fanning/Howey Assoc. Inc.	\$12,555
Theil Construction	50,432
Bodie Electric Inc.	456
LR Babcock Plumbing & Heating Inc.	7,058
Transportation Equipment	118,992
Jack Laurie Floors	7,663
Speakers Unlimited	800
Jennite Company	20,335
Chambers Control Co.	12,215
Total	\$230,506

NOTE 17 - AGENCY FUNDS

General-Purpose Statement of Changes in Assets and Liabilities
For the Period Ending June 30, 1999

	Balance at 06/30/98	Change	Balance at 06/30/99
Assets	\$20,158	(\$4,483)	\$15,675
Liabilities	\$20,158	(\$4,483)	\$15,675

NOTE 18 - YEAR 2000 ISSUE

The year 2000 issue is the result of shortcoming in many electronic data processing systems and other equipment that may adversely affect the government's operations as fiscal 1999.

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)). The District has two school buildings with heating, air conditioning and ventilation systems, which have efficiency utilization measures within the systems. The District can manually override any computerized controls within these systems.

The District utilizes an external service organization for its financial reporting, payroll and employee benefits, and educational statistics reporting systems. The external service organization is responsible for remediating these systems.

Williams County collects property taxes for distribution to the District. Williams County is responsible for remediating its tax collection system.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

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

NOTE 19 - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the 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 this District. During the fiscal year ended June 30, 1999, the District received \$2,397,657 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 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 Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in the Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of 6/30/98			\$14,679	\$14,679
Current Year Set-aside Requirement	\$52,163	\$52,163	27,045	131,371
Current Year Offset	(10,918)	(52,163)		(63,081)
Qualifying Disbursements	<u>(41,245)</u>	<u> </u>	<u> </u>	<u>(41,245)</u>
Set-aside Cash Balances as of 6/30/99	<u> </u>	<u> </u>	<u>\$41,724</u>	<u>\$41,724</u>



STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Edon Northwest Local School District
Williams County
309 West Indiana Street
Edon, Ohio 43518-9620

To the Board of Education:

We have audited the financial statements of Edon Northwest Local School District, Williams County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 13, 1999. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 13, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 13, 1999.

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

Jim Petro
Auditor of State

December 13, 1999



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EDON NORTHWEST LOCAL SCHOOL DISTRICT

WILLIAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 6, 2000**