

HARRISON HILLS CITY SCHOOL DISTRICT

General Purpose Financial Statements

Year Ended June 30, 1999

With



Clark, Schaefer, Hackett & Co.

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

HARRISON HILLS CITY SCHOOL DISTRICT

General Purpose Financial Statements

Year Ended June 30, 1999

With

Independent Auditors' Report

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Education
Harrison Hills City School District

We have reviewed the independent auditor's report of the Harrison Hills City School District, Harrison County, prepared by Clark, Schaefer, Hackett & Co. 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 Harrison Hills City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a large, stylized, handwritten "X" or similar mark.

JIM PETRO
Auditor of State

January 14, 2000

Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Harrison Hills City School District:

We have audited the accompanying general purpose financial statements of Harrison Hills City School District as of and for the year ended June 30, 1999 as listed in the table of contents. These general purpose financial statements are the responsibility of the School 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 *Governmental 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 Harrison Hills City School District as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds 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 November 11, 1999 on our consideration of the Harrison Hills City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of Harrison Hills City School District taken as a whole. The accompanying schedule of expenditures of federal awards 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.

The year 2000 supplementary information on page 40 is not a required part of the general purpose financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do provide assurance that the School District is or will become year 2000 compliant, that the School District's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the School District does business are or will become year 2000 compliant.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
November 11, 1999

HARRISON HILLS CITY SCHOOL DISTRICT

Combined Balance Sheet - All Fund Types and Account Groups

June 30, 1999

	Governmental Fund Types			Proprietary Fund Type		Fiduciary Fund Types		Account Groups			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust & Agency	General	Fixed Asset	Long-Term Debt		
										General	
ASSETS AND OTHER DEBITS											
ASSETS:											
Equity in pooled cash and cash equivalents	\$ 2,263,330	473,875	1,000,529	45,179	531	436,413	-	-	-	-	4,219,857
Cash with fiscal agent	-	-	-	-	752,730	-	-	-	-	-	752,730
Net receivables:											
Taxes	4,110,497	-	381,583	-	-	-	-	-	-	-	4,492,080
Accounts	9,741	-	-	2,022	-	-	-	-	-	-	11,763
Accrued interest	18,187	-	471	471	-	1,532	-	-	-	-	20,661
Due from other governments	14,448	-	-	53,623	-	-	-	-	-	-	68,071
Prepayments	23,154	-	-	804	-	-	-	-	-	-	23,958
Materials and supply inventory	137,118	-	-	30,600	-	-	-	-	-	-	167,718
Interfund loan receivable	62,082	-	-	-	-	-	-	-	-	-	62,082
Restricted assets:											
Cash and cash equivalents	458,854	-	-	-	-	-	-	-	-	-	458,854
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	45,354	-	-	11,114,325	-	-	-	11,159,679
OTHER DEBITS:											
Amount available in Debt Service Fund	-	-	-	-	-	-	-	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-	-	-	1,049,198	-	1,049,198
Total assets and other debits	\$ 7,097,411	473,875	1,382,583	178,053	753,261	437,945	11,114,325	1,049,198	1,049,198	1,049,198	22,486,651

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

HARRISON HILLS CITY SCHOOL DISTRICT

Combined Balance Sheet - All Fund Types and Account Groups

June 30, 1999

	Governmental Fund Types				Proprietary Fund Type		Fiduciary Fund Types			Account Groups			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust & Agency	General		Long-Term Debt	Fixed Asset	Debt		
							General	Fixed Asset					
LIABILITIES, EQUITY AND OTHER CREDITS													
LIABILITIES:													
Accounts payable	\$ 72,808	24,725	22,325	175	-	751	-	-	-	-	-	-	120,784
Accrued wages and benefits	890,262	168,691	67	40,158	-	-	-	-	-	-	-	-	1,099,178
Pension obligation payable	143,335	20,861	-	24,671	-	-	-	-	-	84,517	-	-	273,384
Compensated absences payable	55,216	-	-	17,708	-	-	-	-	-	964,681	-	-	1,037,605
Contracts payable	75,863	44,685	93,299	-	-	12,097	-	-	-	-	-	-	225,944
Accrued interest payable	66	-	-	-	-	-	-	-	-	-	-	-	66
Interfund loan payable	-	-	62,082	-	-	-	-	-	-	-	-	-	62,082
Claims payable	-	-	-	-	178,019	-	-	-	-	-	-	-	178,019
Deferred revenue	3,884,486	-	357,385	6,208	-	-	-	-	-	-	-	-	4,248,079
Due to other governments	-	-	-	-	-	-	-	-	-	-	-	-	2,603
Due to student groups	-	-	-	-	-	2,603	-	-	-	-	-	-	50,263
Energy conservation notes payable	25,482	-	-	-	-	50,263	-	-	-	-	-	-	25,482
Total liabilities	5,147,518	258,962	535,158	88,920	178,019	65,714	-	-	-	1,049,198	-	-	7,323,489
EQUITY AND OTHER CREDITS													
Investments in general fixed assets	-	-	-	-	-	-	11,114,325	-	-	-	-	-	11,114,325
Contributed capital	-	-	-	119,836	-	-	-	-	-	-	-	-	119,836
Retained earnings (accumulated deficit)	-	-	-	(30,703)	575,242	-	-	-	-	-	-	-	544,539
Fund balances:													
Reserved for:													
Encumbrances	631,384	98,476	277,611	-	-	-	-	-	-	-	-	-	1,007,471
Materials and supplies inventory	137,118	-	-	-	-	-	-	-	-	-	-	-	137,118
Budget set-asides	458,854	-	-	-	-	-	-	-	-	-	-	-	458,854
Prepayments	23,154	-	-	-	-	-	-	-	-	-	-	-	23,154
Property tax advances	226,011	-	24,198	-	-	-	-	-	-	-	-	-	250,209
Principal endowment	-	-	-	-	-	370,931	-	-	-	-	-	-	370,931
Unreserved - undesignated	473,372	116,437	545,616	-	-	1,300	-	-	-	-	-	-	1,136,725
Total equity and other credits	1,949,893	214,913	847,425	89,133	575,242	372,231	11,114,325	-	-	-	-	-	15,163,162
Total liabilities, equity and other credits \$	7,097,411	473,875	1,382,583	178,053	753,261	437,945	11,114,325	-	-	1,049,198	-	-	22,486,651

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

HARRISON HILLS CITY SCHOOL DISTRICT

Combined Statement of Revenues, Expenditures, and Changes in Fund
Balances - All Governmental Fund Types and Similar Trust Funds

For the Year Ended June 30, 1999

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Revenues:					
Taxes	\$ 3,838,599	-	376,379	-	4,214,978
Earnings on investments	196,224	-	2,673	-	198,897
Other local revenue	32,848	151,055	1,632	400	185,935
Intergovernmental - state	6,451,327	640,788	330,302	-	7,422,417
Intergovernmental - federal	-	966,614	-	-	966,614
Total revenues	10,518,998	1,758,457	710,986	400	12,988,841
Expenditures:					
Instruction:					
Regular	4,826,991	638,541	219,255	-	5,684,787
Special	876,292	511,830	-	-	1,388,122
Vocational education	145,857	422	-	-	146,279
Support services:					
Pupil	398,572	127,108	-	-	525,680
Instructional staff	253,740	85,916	-	-	339,656
General administration	103,225	-	-	-	103,225
School administration	857,160	33,574	6,092	-	896,826
Fiscal	331,971	825	14,887	-	347,683
Operations and maintenance	827,300	-	-	-	827,300
Pupil transportation	683,304	20,223	-	-	703,527
Community services	-	299	-	-	299
Extracurricular activities	174,889	153,578	-	-	328,467
Facilities acquisition and construction	-	38,500	230,578	-	269,078
Debt Service:					
Interest	1,955	-	-	-	1,955
Total expenditures	9,481,256	1,610,816	470,812	-	11,562,884
Excess of revenues over (under) expenditures	1,037,742	147,641	240,174	400	1,425,957
Other financing sources:					
Sale of assets	2,335	-	90,815	-	93,150
Total other financing sources	2,335	-	90,815	-	93,150
Excess of revenues and other sources over (under) expenditures and other (uses)	1,040,077	147,641	330,989	400	1,519,107
Fund balance, beginning of year	911,481	67,272	516,436	900	1,496,089
Decrease in reserve for inventory	(1,665)	-	-	-	(1,665)
Fund balance, end of year	\$ 1,949,893	214,913	847,425	1,300	3,013,531

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

HARRISON HILLS CITY SCHOOL DISTRICT

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP 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:						
From local sources:						
Taxes	\$ 3,838,612	3,838,612	-	-	-	-
Earnings on investments	194,903	194,903	-	-	-	-
Other local revenues	41,224	41,224	-	151,056	151,056	-
Intergovernmental - state and local	6,440,366	6,440,366	-	640,788	640,788	-
Intergovernmental - federal	-	-	-	959,622	959,622	-
Total revenues	10,515,105	10,515,105	-	1,751,466	1,751,466	-
Expenditures:						
Current:						
Instruction:						
Regular	5,217,915	4,970,958	246,957	716,366	608,283	108,083
Special	974,586	964,336	10,250	631,156	530,748	100,408
Vocational	146,730	144,351	2,379	448	422	26
Support services:						
Pupil	455,621	423,810	31,811	132,420	123,532	8,888
Instructional staff	258,503	254,193	4,310	110,128	91,103	19,025
General administration	121,168	113,311	7,857	-	-	-
School administration	875,803	860,849	14,954	48,011	34,482	13,529
Fiscal	351,569	345,429	6,140	2,025	2,025	-
Operations and maintenance	940,030	918,340	21,690	1,500	-	1,500
Pupil transportation	903,660	896,010	7,650	22,502	19,990	2,512
Facilities acquisition and construction	156,217	-	156,217	42,240	38,500	3,740
Community services	-	-	-	640	640	-
Extracurricular activities	232,000	224,645	7,355	196,951	185,576	11,375
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	10,633,802	10,116,232	517,570	1,904,387	1,635,301	269,086
Excess of revenues over (under) expenditures	(118,697)	398,873	517,570	(152,921)	116,165	269,086
Other financing sources (uses):						
Advances in	-	-	-	-	-	-
Advances (out)	(62,082)	(62,082)	-	-	-	-
Proceeds of sale of assets	2,335	2,335	-	-	-	-
Refund of prior year expenditures	-	-	-	6,992	6,992	-
Total other financing sources (uses)	(59,747)	(59,747)	-	6,992	6,992	-
Excess of revenues and other sources over (under) expenditures and other (uses)	(178,444)	339,126	517,570	(145,929)	123,157	269,086
Fund balance, beginning of year	1,391,026	1,391,026	-	169,136	169,136	-
Prior year encumbrances appropriated	298,358	298,358	-	58,494	58,494	-
Fund balance, end of year	\$ 1,510,940	2,028,510	-	81,701	350,787	-

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

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
10,881	10,881	-	378,235	378,235	-	-	-	-
-	-	-	2,203	2,203	-	-	-	-
-	-	-	1,632	1,632	-	400	400	-
-	-	-	330,301	330,301	-	-	-	-
-	-	-	-	-	-	-	-	-
10,881	10,881	-	712,371	712,371	-	400	400	-
-	-	-	391,837	297,517	94,320	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	6,190	6,091	99	-	-	-
-	-	-	16,000	14,887	1,113	-	-	-
-	-	-	1,200	-	1,200	-	-	-
-	-	-	138,320	137,781	539	-	-	-
-	-	-	786,725	661,281	125,444	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
8,900	8,900	-	-	-	-	-	-	-
1,981	1,981	-	-	-	-	-	-	-
10,881	10,881	-	1,340,272	1,117,557	222,715	-	-	-
-	-	-	(627,901)	(405,186)	222,715	400	400	-
-	-	-	62,082	62,082	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	90,815	90,815	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	152,897	152,897	-	-	-	-
-	-	-	(475,004)	(252,289)	222,715	400	400	-
-	-	-	628,501	628,501	-	900	900	-
-	-	-	324,384	324,384	-	-	-	-
-	-	-	477,881	700,596	-	1,300	1,300	-

HARRISON HILLS CITY SCHOOL DISTRICT

Combined Statement of Revenues, Expenses and Changes in Retained Earnings All Proprietary Fund Types and Nonexpendable Trust Fund

For the Year Ended June 30, 1999

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating revenues:				
Tuition and fees	\$ 26,372	-	-	26,372
Sales/charges for services	303,933	1,752,196	2,533	2,058,662
Earnings on investments	-	-	21,125	21,125
Other operating revenues	2,022	-	19,640	21,662
Total operating revenues	332,327	1,752,196	43,298	2,127,821
Operating expenses:				
Personnel services	361,543	114,402	-	475,945
Contractual services	14,463	-	-	14,463
Materials and supplies	330,864	-	67,730	398,594
Depreciation	6,113	-	-	6,113
Claims expense	-	1,120,634	-	1,120,634
Other expenses	-	-	15,225	15,225
Total operating expenses	712,983	1,235,036	82,955	2,030,974
Operating income (loss)	(380,656)	517,160	(39,657)	96,847
Nonoperating revenues:				
Operating grants	333,610	-	-	333,610
Federal commodities	45,626	-	-	45,626
Earnings on investments	1,713	26,154	-	27,867
Other nonoperating revenues	5,166	-	-	5,166
Total nonoperating revenues	386,115	26,154	-	412,269
Net income (loss)	5,459	543,314	(39,657)	509,116
Retained earnings/fund balance, beginning of year	(36,162)	31,928	410,588	406,354
Retained earnings/fund balance, end of year	\$ (30,703)	575,242	370,931	915,470

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

HARRISON HILLS CITY SCHOOL DISTRICT

Combined Statement of Cash Flows - All Proprietary Fund Types and Nonexpendable Trust Fund

For the Year Ended June 30, 1999

	Proprietary Fund Types		Fiduciary Fund Type	Totals
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)
Cash flows from operating activities:				
Cash received from tuition and fees	\$ 30,465	-	-	30,465
Cash received from sales/service charges	303,933	1,752,196	2,533	2,058,662
Cash received from other operating sources	-	-	19,640	19,640
Cash payments for personal services	(364,398)	(114,402)	-	(478,800)
Cash payments for contract services	(14,087)	-	(2,252)	(16,339)
Cash payments for supplies and materials	(293,618)	-	(73,925)	(367,543)
Cash payments for claims expense	-	(1,281,818)	-	(1,281,818)
Cash payments for other expenses	-	-	(15,225)	(15,225)
Net cash provided (used) by operating activities	<u>(337,705)</u>	<u>355,976</u>	<u>(69,229)</u>	<u>(50,958)</u>
Cash flows from noncapital financing activities:				
Cash received from operating grants	279,987	-	-	279,987
Cash received from other noncapital financing activities	5,166	-	-	5,166
Net cash provided by noncapital financing activities	<u>285,153</u>	<u>-</u>	<u>-</u>	<u>285,153</u>
Cash flows from investing activities:				
Interest received	1,242	26,155	19,593	46,990
Net increase (decrease) in cash and cash equivalents	(51,310)	382,131	(49,636)	281,185
Cash and cash equivalents at beginning of year	<u>96,489</u>	<u>371,130</u>	<u>431,883</u>	<u>899,502</u>
Cash and cash equivalents at end of year	<u>\$ 45,179</u>	<u>753,261</u>	<u>382,247</u>	<u>1,180,687</u>

(Continued)

Reconciliation of Nonexpendable Trust to Balance Sheet:

Cash and cash equivalents - All Fiduciary Funds	\$ 436,413
Cash and cash equivalents - Expendable Trust and Agency Funds	(54,166)
Cash and cash equivalents - Nonexpendable Trust Fund	<u>\$ 382,247</u>

HARRISON HILLS CITY SCHOOL DISTRICT

Combined Statement of Cash Flows - Proprietary Fund Type and Nonexpendable Trust Fund

For the Year Ended June 30, 1999

(Continued)

	Proprietary Fund Types		Fiduciary Fund Type	Totals
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	(380,656)	517,160	(39,657)	96,847
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	6,113	-	-	6,113
Federal donated commodities used	45,626	-	-	45,626
Interest reported as operating income	-	-	(21,125)	(21,125)
Changes in assets and liabilities:				
Decrease in accounts receivable	2,071	-	-	2,071
Decrease in prepayments	227	-	-	227
Decrease in accounts payable	(2,009)	-	(3,197)	(5,206)
Increase in materials and supplies inventory	(4,623)	-	-	(4,623)
Increase in accrued wages and benefits	834	-	-	834
Decrease in pension obligation payable	(2,485)	-	-	(2,485)
Decrease in claims payable	-	(161,184)	-	(161,184)
Decrease in contracts payable	-	-	(5,250)	(5,250)
Decrease in deferred revenue	(1,599)	-	-	(1,599)
Decrease in compensated absences payable	(1,204)	-	-	(1,204)
Net cash provided (used) by operating activities	\$ (337,705)	355,976	(69,229)	(50,958)

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

HARRISON HILLS CITY SCHOOL DISTRICT

Notes to General Purpose Financial Statements

For the Year Ended June 30, 1999

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1971 through the consolidation of existing land areas and school districts. The District serves an area of approximately 386 square miles. It is located primarily in Harrison County, however small portions of the District are located in Carroll County, Tuscarawas County, Belmont County, and Jefferson County. The District is the 246th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 88 non-certificated employees, 150 certificated employees, and 9 administrators who provide services to 2,296 students and other community members. The District currently operates 8 instructional buildings, 1 administrative building, and 1 garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the District's ability to exercise significant oversight responsibility.

The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

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

JOINTLY GOVERNED ORGANIZATIONS

Ohio Mid-Eastern Regional Education Service Agency

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) is a not-for-profit computer service organization whose primary function is to provide information technology services to its member school districts with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by the OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records, and test scoring.

The OME-RESA is one of twenty-three regional service organizations serving over 600 public school districts in the State of Ohio that make up the Ohio Educational Computer Network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code, and their member school districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio school districts.

Major funding for this network is derived from the State of Ohio. In addition, a majority of the software utilized by the OME-RESA is developed by the ODE.

The OME-RESA is owned and operated by forty-nine member school districts in ten different Ohio counties. The member school districts are comprised of public school districts and county boards of education. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a board of directors which is selected by the member districts. Each member district has one vote in all matters and each member district's control over OME-RESA is limited to its voting authority and any representation it may have on the board of directors.

The OME-RESA is located at 2023 Sunset Blvd., Steubenville, Ohio 43952. The Jefferson County Educational Service Center is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA.

Belmont Harrison Joint Vocational School - The Belmont Harrison 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 nine participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Belmont Harrison Joint Vocational School, Treasurer's Office, at 110 Fox/Shannon Place, St. Clairsville, Ohio 43950.

INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

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

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

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

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

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

PROPRIETARY FUNDS

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

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

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

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include a nonexpendable trust fund, an expendable trust fund and an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. See Note 3 for agency fund accruals which, in another fund type, would be recognized in the combined balance sheet.

ACCOUNT GROUPS

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

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

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

C. Measurement Focus/Basis of Accounting

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

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

The modified accrual basis of accounting is followed for governmental funds and the expendable trust fund. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Property taxes measurable as of June 30, 1999 and delinquent property taxes, whose availability is indeterminate and are intended to finance fiscal 2000 operations, have been recorded as *deferred revenues*, except for that portion which is available from the County Auditor as advanced at June 30. This amount is recognized as revenue.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent

periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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

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

D. Budgets

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

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Harrison County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1999.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted; however, none of these amendments were significant.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 17 provides a reconciliation of the budgetary and GAAP basis of accounting for governmental fund types and Note 14 provides disclosure of the encumbrances outstanding for proprietary fund types at fiscal year end.

E. Cash and Investments

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

During fiscal year 1999, investments were limited to STAR Ohio and a repurchase agreement. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 1999 amounted to \$196,224 which includes \$78,023 assigned from other District funds.

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

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

F. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 except for textbooks and library books. This is based primarily on the uniqueness of these items to school operations. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over estimated useful lives of 5-20 years for furniture, fixtures and equipment.

G. Intergovernmental Revenues

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

Entitlements

General Fund

- State Foundation Program
- School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

- Title VI
- Education Management Information Systems (EMIS)
- Title I
- Title VI-B
- Drug-Free Grant
- Disadvantaged Pupil Impact Aid
- Vocational Education
- Textbook/Instructional Materials Subsidy
- Performance Incentive Grant
- Preschool
- Eisenhower Grant
- Professional Development
- Capital Projects
- SchoolNet
- Technology Equity
- Emergency Building Repairs
- Permanent Improvement

Reimbursable Grants

General Fund

- Driver Education Reimbursement

Special Revenue Funds

- Vocational Education Travel/Salary

Enterprise Fund

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

Grants and entitlements amounted to approximately 56% of the District's operating revenue during the 1999 fiscal year.

H. Compensated Absences

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

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

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

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

I. 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, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, payments made more than sixty days after year-end are considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary 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. GAAP requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

J. Fund Balance Reserves

The 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, tax advance unavailable for appropriation, prepayments, debt service, principal endowment, inventories of materials and supplies, budget stabilization, textbooks, and capital acquisition. The reserve for property tax advance unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under State statute.

K. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers. The District made no operating transfers during fiscal year 1999.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had short-term interfund loans receivable and payable at June 30, 1999.

4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 1999.

An analysis of interfund transactions is presented in Note 5.

L. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve, textbook reserve and capital maintenance reserve. These reserves are required by State statute. The budget stabilization reserve can be used only after receiving approval from the State Superintendent of Public Instruction. A schedule of statutory reserves is presented in Note 19.

M. Estimates

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

N. Inventory

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

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

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 District did not prepare general purpose financial statements in accordance with GAAP prior to fiscal year 1992, the exact amount of contributed capital cannot be

determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

P. Memorandum Only – Total Columns

Total columns on the GPFS are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

1. Deficit Fund Balances/Retained Earnings

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

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Early Childhood Education	\$ (2,151)
 <u>Capital Projects Funds</u>	
Emergency School Repair	(62,082)
 <u>Enterprise Fund</u>	
Food Service	(75,596)

These funds complied with Ohio state law, which does not permit a cash basis deficit at year end.

The deficit fund balance in the Early Childhood Education special revenue fund is caused by the application of GAAP, namely in the reporting of a liability for accrued wages, benefit and retirement obligations attributable to the fiscal year. This deficit balance will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

The deficit balance in the Emergency School Repair capital projects fund is due to the reporting of an “advance in” from another fund as an interfund loan payable rather than as an “other financing source”. This deficit will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

The deficit retained earnings in the Food Service enterprise fund is caused by the application of GAAP, namely in the reporting of a liability for accrued wages, benefit and retirement obligations, and compensated absences attributable to the fiscal year. This deficit retained earnings will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

1. Agency Funds

The following are accruals for the agency fund, which, in another fund type, would be recognized in the combined balance sheet:

<u>LIABILITIES</u>	
Accounts payable	\$3,979

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

1. *United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;*
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. *Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.*

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

Cash with fiscal agent: The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 1999 was \$752,730.

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

Deposits: At year end, the carrying amount of the District's deposits was \$(186,432) and the bank balance was \$257,974. The District did not record a liability due to the "zero balance" nature of the account. Of the bank balance:

1. \$175,666 was covered by federal depository insurance; and
2. \$82,308 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments: Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Repurchase agreement	<u>\$113,333</u>	\$ 113,333	\$ 113,333
Investment in STAR Ohio		<u>4,751,810</u>	<u>4,751,810</u>
Total investments		<u>\$4,865,143</u>	<u>\$4,865,143</u>

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

A reconciliation between the classifications of cash and cash equivalents on the combined balance sheet (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$5,431,441	\$ 0
Investments of the cash management pool:		
Investment in STAR Ohio	(4,751,810)	4,751,810
Repurchase agreement	(113,333)	113,333
Cash with fiscal agent	<u>(752,730)</u>	<u>---</u>
GASB Statement No. 3	<u>\$ (186,432)</u>	<u>\$4,865,143</u>

NOTE 5 - INTERFUND TRANSACTIONS

The District had the following short-term interfund loans receivable and payable at June 30, 1999:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$62,082	\$ ---
<u>Capital Projects Funds</u>		
Emergency Building Repair	<u>---</u>	<u>62,082</u>
Totals	<u>\$62,082</u>	<u>\$62,082</u>

NOTE 6 - PROPERTY TAXES

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

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

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 1998 taxes were collected was \$153,643,450. Agricultural/residential and public utility/minerals real estate represented \$92,169,760 or 59.99% of this total, commercial & industrial real estate represented \$19,189,790 or 12.49% of this total, public utility tangible represented \$29,291,340 or 19.06% of this total and general tangible property represented \$12,992,560 or 8.46% of this total. The voted general tax rate at the fiscal year ended June 30, 1999 was \$34.75 per \$1,000.00 of assessed valuation for operations and \$3.00 per \$1,000.00 of assessed valuation for permanent improvements.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

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 District receives property taxes from the following Counties: Harrison, Carroll, Tuscarawas, Belmont and Jefferson. The respective County Auditors periodically remit to the District their portion of the taxes collected with final settlement in March and September. Such collections are available to pay current period liabilities.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. The amount available as an advance at June 30, 1999, was \$226,101 in the general fund and \$24,198 in the Permanent Improvement capital projects fund. These amounts have been recorded as revenue.

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

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999, consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, interfund loans, and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). Intergovernmental receivables have been reported as "due from other governments" on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of Federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General</u>	
Taxes - current and delinquent	\$4,110,497
Accounts	9,741
Accrued interest	18,187
Due from other governments	14,448
Interfund loan	62,082
<u>Capital Projects Funds</u>	
Taxes - current and delinquent	381,583
<u>Enterprise Funds</u>	
Due from other governments	53,623

NOTE 8 - FIXED ASSETS

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

	<u>Balance</u> <u>July 1, 1998</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 1999</u>
Land/ improvements	\$ 10,571	\$ ---	\$ (10)	\$ 10,561
Buildings/ improvements	7,850,438	905	---	7,851,343
Furniture/ equipment	1,224,825	92,039	---	1,316,864
Vehicles	1,206,244	111,510	(11,450)	1,306,304
Text/library books	<u>625,549</u>	<u>3,704</u>	<u>---</u>	<u>629,253</u>
Total	<u>\$10,917,627</u>	<u>\$208,158</u>	<u>\$(11,460)</u>	<u>\$11,114,325</u>

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

Furniture and equipment	\$ 182,492
Less: accumulated depreciation	<u>(137,138)</u>
Net fixed assets	<u>\$ 45,354</u>

NOTE 9 - CONTRIBUTED CAPITAL

Changes in contributed capital for the year ended June 30, 1999 are as follows:

	<u>Food Service</u>
Contributed Capital, July 1, 1998	\$119,836
Current contributions	<u>---</u>
Contributed Capital, June 30, 1999	<u>\$119,836</u>

NOTE 10 - LONG-TERM OBLIGATIONS

A. During the year ended June 30, 1999, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences are reported net of actual increases and decreases due to the practicality of determining these values. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid.

	<u>Balance</u> <u>July 1, 1998</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 1999</u>
Compensated absences	\$ 1,150,391	\$ ---	\$(185,710)	\$ 964,681
Pension obligation payable	<u>74,703</u>	<u>84,517</u>	<u>(74,703)</u>	<u>84,517</u>
Total	<u>\$ 1,225,094</u>	<u>\$84,517</u>	<u>\$(260,413)</u>	<u>\$1,049,198</u>

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 1999 are a voted debt margin of \$13,827,911 and an unvoted debt margin of \$153,643.

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees, office staff, administrative staff, and certified employees have the following sick leave and severance policies:

<u>Employee Status</u>	<u>Maximum Allowable Sick Leave Balance (Days)</u>	<u>Severance Liability</u>		<u>Total Allowable Maximum Severance (Days)</u>
		<u>Paid at 1/4 of Unused Sick Leave Balance</u>	<u>Paid at 1/8 of Unused Sick Leave Balance</u>	
Classified	245	First 125 Days	Any Balance Over 126 Days	46
Office Staff	260	First 140 Days	Any Balance Over 141 Days	50
Administrative	264	First 140 Days	Any Balance Over 141 Days	50
Certified	264	First 140 Days	Any Balance Over 141 Days	50

B. Life Insurance

The District provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life Insurance Company.

NOTE 12 - NOTE ACTIVITY

The following represents the note activity for the fiscal year ended June 30, 1999:

	<u>Balance July 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 1999</u>
<u>General Fund</u>				
Energy Conservation				
Note - 6.44%	<u>\$34,382</u>	<u>\$ - - -</u>	<u>\$(8,900)</u>	<u>\$25,482</u>

The energy conservation note is intended to be repaid from the savings derived from utility bills upon completion of the energy savings measures. Payments of principal and interest

relating to this liability are recorded as expenditures in the general fund. The unmatured obligation at year end is accounted for in the general fund, the fund which received the proceeds.

Principal and interest requirements to retire the energy conservation loan outstanding at June 30, 1999 is as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u> <u>On Note</u>	<u>Interest</u> <u>On Note</u>	<u>Total</u>
2000	\$ 9,609	\$1,279	\$10,888
2001	10,185	703	10,888
2002	<u>5,688</u>	<u>101</u>	<u>5,789</u>
Totals	<u>\$25,482</u>	<u>\$2,083</u>	<u>\$27,565</u>

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District has contracted with Utica Insurance for property and inland marine coverage. Nationwide Insurance provides the district with professional liability coverage and fleet insurance. Coverage provided by Utica Insurance are as follows:

Building and Contents-replacement cost (\$1000 deductible)	\$34,478,426
Inland Marine Coverage (\$100 deductible)	166,543
Boiler and Machinery (\$1,000 deductible)	30,273,072
Crime Insurance	2,000
Musical Instruments	105,635

Coverages provided by Nationwide Insurance are as follows:

<i>General Liability</i>	
Per occurrence	\$1,000,000
Total per year	3,000,000
Automobile Liability (\$250 deductible)	1,000,000
Uninsured Motorists (\$0 deductible)	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

B. Worker's Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 2.A). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

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

C. Employee Group Medical, Dental, Vision and Life Insurance

Medical/surgical, dental, vision and life insurance is offered to employees through a self-insurance internal service fund. The District is a member of a claims servicing pool, consisting of 49 school districts within the OME-RESA consortium, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. The claims liability of \$178,019 reported in the internal service fund at June 30, 1999, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
1999	\$339,203	\$1,237,953	\$(1,399,137)	\$178,019
1998	\$300,407	\$1,210,343	\$(1,171,547)	\$339,203

NOTE 14 - SEGMENT INFORMATION - ENTERPRISE FUNDS

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

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total</u>
Operating revenue	\$305,955	\$26,372	\$ ---	\$332,327
Operating expenses less depreciation	696,658	10,212	---	706,870
Depreciation	6,113	---	---	6,113
Operating income (loss)	(396,816)	16,160	---	(380,656)
Donated commodities	45,626	---	---	45,626
Operating grants	333,610	---	---	333,610
Net income (loss)	(10,701)	16,160	---	5,459
Contributed capital	119,836	---	---	119,836
Net working capital	27,345	41,922	2,971	72,238
Total assets	133,160	41,922	2,971	178,053
Total liabilities	88,920	---	---	88,920
Total equity	44,240	41,922	2,971	89,133
Encumbrances outstanding at June 30	12,852	1,390	---	14,242

NOTE 15 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board (SERB). SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service

credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes general purpose financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered salary; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERB within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$186,336, \$186,414, and \$185,562, respectively. Of the contribution requirement, 60.2 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$73,995, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered salary; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$777,636, \$765,348, and \$782,724, respectively. Of the contribution requirement, 79.8 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$157,280, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 1999, two members of the Board of Education have elected social security. The School District's liability is 6.2 percent of wages paid.

NOTE 16 - POSTEMPLOYMENT BENEFITS

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

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. For the fiscal year, the Board allocated employer contributions equal to eight percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$62,211 during fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.156 billion at June 30, 1998 (the latest information available). For the year ended June 30, 1998 (the latest information available), net health care costs paid by STRS were \$219.224 million and STRS had 91,999 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll, an increase from 3.5 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 (the latest information available), were \$111.9 million and the target level was \$139.9 million. At June 30, 1998 (the latest information available), SERS had net assets available for payment of health care benefits of \$160.3 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$128,118 during the 1999 fiscal year.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

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

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>
Budget basis	\$ 339,126	\$123,157	\$ 0	\$(252,289)
Net adjustment for revenue accruals	3,893	6,991	(10,881)	(1,385)
Net adjustment for expenditure accruals	(58,698)	(98,607)	10,881	346,809
Net adjustment for other financing sources (uses)	62,082	(6,992)	---	(62,082)
Encumbrances (Budget basis)	<u>693,674</u>	<u>123,092</u>	<u>---</u>	<u>299,936</u>
GAAP basis	<u>\$1,040,077</u>	<u>\$147,641</u>	<u>\$ 0</u>	<u>\$ 330,989</u>

NOTE 18 - CONTINGENCIES

A. Grants

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

B. Litigation

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

C. State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$5,893,110 of total school foundation support for its general fund.

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

As of the date of these financial statements, the 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 19 - STATUTORY RESERVES

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 1998	\$ 0	\$ 0	\$ 67,994
Current year set-aside requirement	156,217	156,217	78,426
Qualifying disbursements	---	---	---
Total	<u>\$156,217</u>	<u>\$156,217</u>	<u>\$146,420</u>
Cash balance carried forward to FY 2000	<u>\$156,217</u>	<u>\$156,217</u>	<u>\$146,420</u>

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

Amount restricted for budget stabilization	\$146,420
Amount restricted for textbooks	156,217
Amount restricted for capital acquisition	<u>156,217</u>
Total restricted assets	<u>\$458,854</u>

HARRISON HILLS CITY SCHOOL DISTRICT

Unaudited Required Supplementary Information
For the Year Ended June 30, 1999

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

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, the State of Ohio Uniform School Payroll System software for its payroll and employee benefits, and the State of Ohio Education Management and Information System (EMIS) for its education statistics reporting. The State is responsible for remediating these systems.

The Ohio Department of Education, Division of Information Management Services, State Software Development Team has addressed the status of the OECN State Software in regards to the compliance requirements for the Year 2000. Their assessment is as follows:

- The payroll processing software supported with the OECN State Software is compliant with the Year 2000 beginning with the September 1997 release of USPS V4.0.
- The accounting software supported with the OECN State Software is compliant with the Year 2000 beginning with the June 1998 release of USAS V6.1.
- The education management information system software supported with the OECN State Software is compliant with the Year 2000 beginning with the September 1998 release of EMIS V1.7.

Harrison, Carroll, Tuscarawas, Belmont and Jefferson Counties collect property taxes for distribution to the District and are responsible for remediating their tax collection system.

The State of Ohio distributes a substantial sum of money to the District in the form of basic state aid "school 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.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the 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.

HARRISON HILLS CITY SCHOOL DISTRICT

Schedule of Prior Audit Findings

For the Year Ended June 30, 1999

The prior audit disclosed no instances of noncompliance that were required to be reported in accordance with *Government Auditing Standards* or noncompliance with requirements of major federal programs. In addition, no reportable conditions or material weaknesses with respect to internal controls over financial reporting or internal controls over compliance were reported in the prior year.

HARRISON HILLS CITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 1999

Federal Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-cash Receipts	Disbursements	Non-cash Disbursements
U.S. Department of Agriculture:						
(Passed through Ohio Department of Education)						
Nutrition Cluster:						
Food Distribution Program	n/a	10.550	\$ -	45,626	-	45,626
School Breakfast Program	05PU-99	10.553	66,839	-	66,839	-
National School Lunch Program	04PU-99	10.555	196,161	-	196,161	-
Total U.S. Department of Agriculture			<u>263,000</u>	<u>45,626</u>	<u>263,000</u>	<u>45,626</u>
U.S. Department of Education:						
(Passed through Ohio Department of Education)						
Special Education Grants to States (IDEA Part B)	6BSF-99	84.027	173,720	-	166,361	-
Grants to Local Education Agencies (ESEA Title I)	C1S1-99	84.010	682,319	-	563,216	-
Dwight D. Eisenhower Math and Science Grant	MSS1-99	84.281	17,334	-	19,189	-
Special Education Grants to States (Preschool Grants)	PGS1-99	84.173	16,731	-	17,953	-
GOALS 2000	G2S1-98	84.276	48,900	-	31,693	-
Education Improvement and Consolidation Act (ESEA Title II)	C2S1-99	84.298	8,496	-	17,815	-
Drug Free Schools	DRS1-99	84.186	12,122	-	13,250	-
Total U.S. Department of Education			<u>959,622</u>	<u>-</u>	<u>829,477</u>	<u>-</u>
Telecommunications Act Grant (FCC E-Rate)	n/a	n/a	6,992	-	-	-
Total Federal Awards			<u>\$ 1,229,614</u>	<u>45,626</u>	<u>1,092,477</u>	<u>45,626</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the 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 no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



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

To the Board of Education
Harrison Hills City School District:

We have audited the financial statements of the Harrison Hills City School District as of and for the year ended June 30, 1999, and have issued our report thereon dated November 11, 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 Harrison Hills City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
November 11, 1999

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

To the Board of Education
Harrison Hills City School District:

Compliance

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

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

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

Internal Control Over Compliance

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

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
November 11, 1999

HARRISON HILLS CITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 1999

Section I - Summary of Auditors' Results

Financial Statements

Type of report issued on financial statements:	unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	none
Reportable condition(s) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	none

Federal Awards

Internal Control over major programs:	
Material weakness(es) identified?	none
Reportable condition(s) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unqualified
Any audit findings that are required to be reported in accordance with Circular A-133, Section .510(a)?	no
Identification of major programs:	
CFDA 84.010 Title I Program	
Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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P.O. Box 1140
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800-282-0370
Facsimile 614-466-4490

HARRISON HILLS CITY SCHOOL DISTRICT
HARRISON 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: JAN 27 2000