



**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Mississinawa Valley Local School District
Darke County
419 East Elm Street
Union City, Ohio 45390

To the Board of Education:

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

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Mississinawa Valley Local School District, Darke County, 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 January 13, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

JIM PETRO
Auditor of State

January 13, 2000

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

	<u>GOVERNMENTAL FUND TYPES</u>			<u>PROPRIETARY FUND TYPE</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	<u>ENTERPRISE</u>
Assets and Other Debits				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$19,673	\$103,109	\$185,255	\$49,851
Cash and Cash Equivalents:				
In Segregated Accounts	0	2,000	0	0
With Fiscal Agents	0	34,822	0	
Receivables:				
Property and Other Taxes	938,950	0	64,199	0
Income Taxes	76,828	0	0	0
Accounts	21,604	0	0	6,290
Intergovernmental	0	0	0	14,581
Accrued Interest	812	0	0	0
Interfund	10,893	0	0	0
Prepaid Items	13,554	0	0	
Inventory Held for Resale	0	0	0	2,214
Inventory of Supplies and Materials	25,791	0	0	1,120
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	81,171	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	2,281
Other Debits:				
Amount to be Provided for Retirement of General Long-Term Debt	0	0	0	0
Total Assets and Other Debits	<u>\$1,189,276</u>	<u>\$139,931</u>	<u>\$249,454</u>	<u>\$76,337</u>
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	\$17,166	\$5,046	\$7,866	\$2,071
Accrued Wages and Benefits Payable	431,050	38,766	0	15,051
Interfund	0	0	10,893	0
Intergovernmental Payable	78,366	5,352	0	17,756
Due to Students	0	0	0	0
Deferred Revenue	856,770	0	63,368	835
Compensated Absences Payable	5,106	0	0	9,092
Energy Conservation Loan Payable	0	0	0	0
Total Liabilities	<u>1,388,458</u>	<u>49,164</u>	<u>82,127</u>	<u>44,805</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	31,532
Fund Balance:				
Reserved for Encumbrances	4,535	6,364	46,642	0
Reserved for Inventory	25,791	0	0	0
Reserved for Property Taxes	71,209	0	0	0
Reserved for Budget Stabilization	15,614	0	0	0
Reserved for Textbooks & Instructional Materials	26,046	0	0	0
Reserved for Bus Purchase	39,511	0	0	0
Reserved for Donations for Nonexpendable Trust Funds	0	0	0	0
Unreserved, Undesignated (Deficit)	(381,888)	84,403	120,685	0
Total Fund Equity (Deficit) and Other Credits	<u>(199,182)</u>	<u>90,767</u>	<u>167,327</u>	<u>31,532</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$1,189,276</u>	<u>\$139,931</u>	<u>\$249,454</u>	<u>\$76,337</u>

See Accompanying Notes to the General Purpose Financial Statements

FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
TRUST AND AGENCY			
\$436,193	\$0	\$0	\$794,081
0	0	0	2,000
			34,822
0	0	0	1,003,149
0	0	0	76,828
0	0	0	27,894
0	0	0	14,581
0	0	0	812
0	0	0	10,893
0	0	0	13,554
0	0	0	2,214
0	0	0	26,911
0	0	0	81,171
0	4,739,426	0	4,741,707
0	0	490,550	490,550
<u>\$436,193</u>	<u>\$4,739,426</u>	<u>\$490,550</u>	<u>\$7,321,167</u>
\$0	\$0	\$0	\$32,149
0	0	0	484,867
0	0	0	10,893
0	0	37,280	138,754
28,016	0	0	28,016
0	0	0	920,973
0	0	250,880	265,078
0	0	202,390	202,390
<u>28,016</u>	<u>0</u>	<u>490,550</u>	<u>2,083,120</u>
0	4,739,426	0	4,739,426
0	0	0	31,532
0	0	0	57,541
0	0	0	25,791
0	0	0	71,209
0	0	0	15,614
0	0	0	26,046
0	0	0	39,511
282,251	0	0	282,251
125,926	0	0	(50,874)
<u>408,177</u>	<u>4,739,426</u>	<u>0</u>	<u>5,238,047</u>
<u>\$436,193</u>	<u>\$4,739,426</u>	<u>\$490,550</u>	<u>\$7,321,167</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUNDS EXPENDABLE TRUST	TOTAL (MEMORANDUM ONLY)	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE			CAPITAL PROJECTS
Revenues:						
Property and Other Taxes	\$757,059	\$0	\$0	\$56,948	\$0	\$814,007
Income Taxes	218,657	0	0	0	0	218,657
Tuition and Fees	153,244	0	0	0	0	153,244
Interest	25,269	0	0	2,058	8	27,335
Intergovernmental	2,875,235	311,655	0	51,382	0	3,238,272
Extracurricular Activities	10,569	89,431	0	0	0	100,000
Total Revenues	<u>4,040,033</u>	<u>401,086</u>	<u>0</u>	<u>110,388</u>	<u>8</u>	<u>4,551,515</u>
Expenditures:						
Current:						
Instruction:						
Regular	1,638,414	36,195	0	69,467	0	1,744,076
Special	425,891	200,870	0	0	0	626,761
Vocational	265,598	7,652	0	0	0	273,250
Other	11,170	0	0	0	0	11,170
Support Services:						
Pupils	122,045	32,433	0	0	139	154,617
Instructional Staff	172,664	123,931	0	2,141	0	298,736
Board of Education	9,714	0	0	0	0	9,714
Administration	434,110	41,192	0	0	0	475,302
Fiscal	96,438	2,449	0	1,999	0	100,886
Business	2,322	0	0	0	0	2,322
Operation and Maintenance of Plant	347,483	0	0	283,236	0	630,719
Pupil Transportation	323,144	0	0	100	0	323,244
Central	10,330	0	0	0	0	10,330
Extracurricular Activities	77,042	53,014	0	0	0	130,056
Debt Service:						
Principal Retirement	52,711	0	0	0	0	52,711
Interest and Fiscal Charges	12,588	0	0	0	0	12,588
Total Expenditures	<u>4,001,664</u>	<u>497,736</u>	<u>0</u>	<u>356,943</u>	<u>139</u>	<u>4,856,482</u>
Excess of Revenues Over (Under) Expenditures	<u>38,369</u>	<u>(96,650)</u>	<u>0</u>	<u>(246,555)</u>	<u>(131)</u>	<u>(304,967)</u>
Other Financing Sources (Uses):						
Operating Transfers-In	22,130	0	0	0	0	22,130
Operating Transfers-Out	<u>(3,000)</u>	<u>0</u>	<u>(22,130)</u>	<u>0</u>	<u>0</u>	<u>(25,130)</u>
Total Other Financing Sources (Uses)	<u>19,130</u>	<u>0</u>	<u>(22,130)</u>	<u>0</u>	<u>0</u>	<u>(3,000)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>57,499</u>	<u>(96,650)</u>	<u>(22,130)</u>	<u>(246,555)</u>	<u>(131)</u>	<u>(307,967)</u>
Fund Balances (Deficit) at Beginning of Year	(254,464)	187,417	22,130	413,882	2,857	371,822
Decrease in Reserve for Inventory	<u>(2,217)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,217)</u>
Fund Balances (Deficit) at End of Year	<u><u>(\$199,182)</u></u>	<u><u>\$90,767</u></u>	<u><u>\$0</u></u>	<u><u>\$167,327</u></u>	<u><u>\$2,726</u></u>	<u><u>61,638</u></u>

See Accompanying Notes to the General Purpose Financial Statements

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

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:						
Property and Other Taxes	\$752,912	\$752,912	\$0	\$0	\$0	\$0
Income Taxes	213,140	213,140	0	0	0	0
Tuition and Fees	134,058	134,058	0	0	0	0
Interest	25,596	25,596	0	0	0	0
Intergovernmental	2,875,235	2,875,235	0	349,829	349,829	0
Extracurricular Activities	0	0	0	90,190	90,190	0
Miscellaneous	4,385	4,385	0	0	0	0
Total Revenues	4,005,326	4,005,326	0	440,019	440,019	0
Expenditures:						
Current:						
Instruction:						
Regular	1,645,956	1,645,956	0	36,697	36,697	0
Special	421,623	421,623	0	207,068	207,068	0
Vocational	267,615	267,615	0	7,652	7,652	0
Other	10,712	10,712	0	0	0	0
Support Services:						
Pupils	120,087	120,087	0	21,741	21,741	0
Instructional Staff	173,199	173,199	0	123,926	123,926	0
Board of Education	10,327	10,327	0	0	0	0
Administration	428,521	428,521	0	41,663	41,663	0
Fiscal	106,195	106,195	0	2,449	2,449	0
Business	2,322	2,322	0	0	0	0
Operation and Maintenance of Plant	344,358	344,358	0	0	0	0
Pupil Transportation	320,076	320,076	0	0	0	0
Central	10,811	10,811	0	0	0	0
Extracurricular Activities	77,651	77,651	0	55,333	55,333	0
Debt Service:						
Principal Retirement	52,711	52,711	0	0	0	0
Interest and Fiscal Charges	12,588	12,588	0	0	0	0
Total Expenditures	4,004,752	4,004,752	0	496,529	496,529	0
Excess of Revenues Over (Under) Expenditure	574	574	0	(56,510)	(56,510)	0
Other Financing Sources (Uses):						
Refund of Prior Year Expenditures	3,766	3,766	0	0	0	0
Operating Transfers-In	22,130	22,130	0	0	0	0
Operating Transfers-Out	(3,000)	(3,000)	0	0	0	0
Advances-In	0	0	0	0	0	0
Advances-Out	(10,893)	(10,893)	0	0	0	0
Total Other Financing Sources (Uses)	12,003	12,003	0	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	12,577	12,577	0	(56,510)	(56,510)	0
Fund Balances at Beginning of Year	63,720	63,720	0	178,791	178,791	0
Prior Year Encumbrances Appropriated	7,633	7,633	0	7,896	7,896	0
Fund Balances at End of Year	\$83,930	\$83,930	\$0	\$130,177	\$130,177	\$0

See Accompanying Notes to the General Purpose Financial Statements

DEBT SERVICE FUND			CAPITAL PROJECTS FUNDS			EXPENDABLE TRUST FUNDS		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$0	\$0	\$0	\$62,027	\$62,027	\$0	\$0	\$0	\$0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	2,058	2,058	0	8	8	0
0	0	0	51,382	51,382	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	115,467	115,467	0	8	8	0
0	0	0	68,271	68,271	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	139	139	0
0	0	0	6,730	6,730	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	1,965	1,965	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	346,753	346,753	0	0	0	0
0	0	0	100	100	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	423,819	423,819	0	139	139	0
0	0	0	(308,352)	(308,352)	0	(131)	(131)	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
(22,130)	(22,130)	0	0	0	0	0	0	0
0	0	0	10,893	10,893	0	0	0	0
0	0	0	0	0	0	0	0	0
(22,130)	(22,130)	0	10,893	10,893	0	0	0	0
(22,130)	(22,130)	0	(297,459)	(297,459)	0	(131)	(131)	0
22,130	22,130	0	422,431	422,431	0	2,857	2,857	0
0	0	0	9,695	9,695	0	0	0	0
\$0	\$0	\$0	\$134,667	\$134,667	\$0	\$2,726	\$2,726	\$0

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS/FUND BALANCES
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>PROPRIETARY FUND TYPE</u>	<u>FIDUCIARY FUNDS</u>	<u>TOTAL</u>
	<u>ENTERPRISE</u>	<u>NONEXPENDABLE TRUST</u>	<u>(MEMORANDUM ONLY)</u>
Operating Revenues:			
Sales	\$148,249	\$0	\$148,249
Interest	0	21,168	21,168
Other	0	900	900
Total Operating Revenues	<u>148,249</u>	<u>22,068</u>	<u>170,317</u>
Operating Expenses:			
Salaries and Wages	87,107	0	87,107
Fringe Benefits	36,027	0	36,027
Purchased Services	5,292	0	5,292
Supplies and Materials	3,078	0	3,078
Cost of Sales	116,274	0	116,274
Other	4,303	18,250	22,553
Depreciation	560	0	560
Total Operating Expenses	<u>252,641</u>	<u>18,250</u>	<u>270,891</u>
Operating Income (Loss)	<u>(104,392)</u>	<u>3,818</u>	<u>(100,574)</u>
Non-Operating Revenues:			
Interest	145	0	145
Federal and State Subsidies	102,037	0	102,037
Federal Donated Commodities	15,284	0	15,284
Total Non-Operating Revenues	<u>117,466</u>	<u>0</u>	<u>117,466</u>
Net Income Before Operating Transfers	13,074	3,818	16,892
Operating Transfers - In	<u>3,000</u>	<u>0</u>	<u>3,000</u>
Net Income	16,074	3,818	19,892
Retained Earnings/Fund Balances at Beginning of Year	<u>15,458</u>	<u>401,633</u>	<u>417,091</u>
Retained Earnings/Fund Balances at End of Year	<u><u>\$31,532</u></u>	<u><u>\$405,451</u></u>	<u><u>\$436,983</u></u>

See Accompanying Notes to the General Purpose Financial Statements

**COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>PROPRIETARY FUND TYPE</u>	<u>FIDUCIARY FUND TYPE</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
	<u>ENTERPRISE</u>	<u>NONEXPENDABLE TRUST</u>	
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$147,034	\$0	\$147,034
Other Operating Revenues	0	900	900
Cash Payments for Employee Services and Benefits	(117,532)	0	(117,532)
Cash Payments to Suppliers for Goods and Services	(107,404)	0	(107,404)
Other Operating Expenses	(4,237)	(18,250)	(22,487)
Net Cash Used In Operating Activities	<u>(82,139)</u>	<u>(17,350)</u>	<u>(99,489)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers - In	3,000	0	3,000
Federal and State Subsidies Received	87,456	0	87,456
Net Cash Provided By Noncapital Financing Activities	<u>90,456</u>	<u>0</u>	<u>90,456</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(1,025)	0	(1,025)
Net Cash Used In Capital and Related Financing Activities	<u>(1,025)</u>	<u>0</u>	<u>(1,025)</u>
Cash Flows from Investing Activities:			
Interest	145	22,864	23,009
Net Cash Provided By Investing Activities	<u>145</u>	<u>22,864</u>	<u>23,009</u>
Net Increase in Cash and Cash Equivalents	7,437	5,514	12,951
Cash and Cash Equivalents Beginning of Year	<u>42,414</u>	<u>399,937</u>	<u>442,351</u>
Cash and Cash Equivalents End of Year	<u>\$49,851</u>	<u>\$405,451</u>	<u>\$455,302</u>
Reconciliation of Operating Income (Loss) to Net Cash Used In Operating Activities:			
Operating Income (Loss)	(\$104,392)	\$3,818	(\$100,574)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used In Operating Activities:			
Depreciation	560	0	560
Donated Commodities Used	15,284	0	15,284
Nonexpendable Trust Funds Interest	0	(21,168)	(21,168)
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(1,215)	0	(1,215)
Increase in Supplies Inventory	(96)	0	(96)
Decrease in Inventory Held for Resale	46	0	46
Increase in Accounts Payable	2,071	0	2,071
Decrease in Accrued Salaries Payable	(204)	0	(204)
Increase in Intergovernmental Payable	7,200	0	7,200
Decrease in Compensated Absences Payable	(1,393)	0	(1,393)
Net Cash Used In Operating Activities	<u>(\$82,139)</u>	<u>(\$17,350)</u>	<u>(\$99,489)</u>
Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Funds to Balance Sheet			
Cash and Cash Equivalents-All Fiduciary Funds		\$436,193	
Cash and Cash Equivalents-Agency and Expendable Trust Funds		<u>(30,742)</u>	
Cash and Cash Equivalents-Nonexpendable Trust Funds		<u>\$405,451</u>	

See Accompanying Notes to the General Purpose Financial Statements

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	ENTERPRISE FUNDS			NONEXPENDABLE TRUST FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:						
Sales	\$147,034	\$147,034	\$0	\$0	\$0	\$0
Federal and State Subsidies	87,456	87,456	0	0	0	0
Interest	145	145	0	21,601	21,601	0
Contributions and Donations	0	0	0	0	0	0
Refund of Prior Year Expense	0	0	0	900	900	0
Total Revenues	<u>234,635</u>	<u>234,635</u>	<u>0</u>	<u>22,501</u>	<u>22,501</u>	<u>0</u>
Expenses:						
Salaries and Wages	87,884	87,884	0	0	0	0
Fringe Benefits	29,648	29,648	0	0	0	0
Purchased Services	3,668	3,668	0	0	0	0
Supplies and Materials	104,157	104,305	(148)	0	0	0
Other Operating Expenses	4,237	4,237	0	18,250	18,250	0
Capital Outlay	1,555	1,555	0	0	0	0
Total Expenses	<u>231,149</u>	<u>231,297</u>	<u>(148)</u>	<u>18,250</u>	<u>18,250</u>	<u>0</u>
Excess of Revenues Over Expenses Before Operating Transfers	3,486	3,338	(148)	4,251	4,251	0
Operating Transfers - In	<u>3,000</u>	<u>3,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Operating Transfers Over Expenses	6,486	6,338	(148)	4,251	4,251	0
Fund Equity at Beginning of Year	42,339	42,339	0	399,937	399,937	0
Prior Year Encumbrances Appropriated	75	75	0	0	0	0
Fund Equity at End of Year	<u>\$48,900</u>	<u>\$48,752</u>	<u>(\$148)</u>	<u>\$404,188</u>	<u>\$404,188</u>	<u>\$0</u>

See Accompanying Notes to the General Purpose Financial Statements

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

This Board of Education controls the School District's four instructional/support facilities staffed by 43 noncertified and 58 certificated full time teaching personnel who provide services to 779 students and other community members.

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District is associated with several jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Note 16 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

Metropolitan Dayton Educational Cooperative Association
Southwestern Ohio Educational Purchasing Council
Southwestern Ohio Instructional Technology Association

Insurance Purchasing Pool:

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

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

A. Basis Of Presentation - Fund Accounting

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

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

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

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

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

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

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

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

Proprietary Fund Type - Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's only proprietary fund type:

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

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

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

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

B. Measurement Focus and Basis of Accounting

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

All proprietary fund types and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District has no contributed capital. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

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

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, taxpayer assessed income tax, interest, and grants.

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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

C. Budgetary Process

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The transition funding special revenue fund grant activity, that is administered by a fiscal agent, is not budgeted by the School District. The primary level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget - Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Darke County Budget Commission for rate determination.

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Prior to year end, the School District passes appropriations to match expenditures plus encumbrances. The budget figures which appear in the statements of budgetary comparisons represent the original appropriation amounts. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

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

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

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. The School District has segregated bank accounts for monies held separate from the School District's central bank account. These interest bearing depository accounts are presented on the combined balance sheet as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the School District treasury.

During fiscal year 1999, the School District did not have any investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$25,269, which includes \$15,082 assigned from other School District funds. The capital projects, enterprise, and nonexpendable trust funds also received interest revenue of \$2,058, \$145, and \$21,168, respectively.

The balance of various grant activity administered by the fiscal agent is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents."

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

E. Interfund Receivables/Payables

Short-term interfund loans are classified as "interfund receivables" and "interfund payables."

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Inventory

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

G. Prepaid Items

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

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. The School District maintains a capitalization threshold of three hundred dollars. The School District does not own any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

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

I. Intergovernmental Revenues

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

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

- Entitlements
 - General Fund*
 - State Foundation Program
 - School Bus Purchase
 - State Property Tax Relief

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Intergovernmental Revenues (Continued)

- Non-Reimbursable Grants
 - Special Revenue Funds*
 - Title VI-B
 - Disadvantaged Pupil Impact Aid
 - Vocational Education
 - Title I
 - Title VI
 - Drug Free Schools
 - Educational Management Information System
 - Professional Development Block Grant
 - Venture Capital
 - Textbook/Instructional Material Subsidy
 - Career Education
 - Public School Preschool
 - Expanded Workforce
 - Capital Projects Funds*
 - School Net
 - School Net Plus
 - Vocational Matching Funds
 - Technology Equity Grant
 - Interactive Video Grant
 - Emergency School Building Repair Fund
- Reimbursable Grants*
 - General Fund*
 - Driver Education
 - Proprietary Funds*
 - National School Breakfast Program
 - National School Lunch Program
 - Government Donated Commodities

Grants and entitlements received in governmental funds amounted to seventy-one percent of governmental fund revenue during the 1999 fiscal year.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences (Continued)

For governmental funds, the School District records a liability for accumulated unused sick leave for all employees after fifteen years of current service with the School District. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

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

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks and instructional materials and to create a reserve for budget stabilization. See Note 18 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

N. Fund Balance Reserves

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Estimates

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

P. Total Columns on General Purpose Financial Statements

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

NOTE 3 - ACCOUNTABILITY

At June 30, 1999, the general fund, venture capital and title I special revenue funds and the emergency school building repair capital projects fund had deficit fund balances of \$199,182, \$29, \$37,322 and \$10,893 respectively. The deficits in these funds resulted from the application of generally accepted accounting principles. The general fund is liable for any deficit in these funds and provides operating transfers when cash is needed, rather than when accruals occur. The deficit in the general fund will be eliminated either through an increase in taxes or intergovernmental revenues.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund type (GAAP basis).
4. Advances in and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP basis).
5. The School District does not budget for the activities of various grants administered by the fiscal agent who collects and holds the assets. However, the activities of the fiscal agent that pertain to Mississinawa Valley Local School District are included in the special revenue funds for GAAP reporting purposes.

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

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Funds

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$57,499	(\$96,650)	(\$22,130)	(\$246,555)	(\$131)
Revenue Accruals	(30,941)	38,933	0	5,079	0
Expenditure Accruals	14,197	8,668	0	(16,286)	0
Nonbudgeted Funds	0	109	0	0	0
Prepaid Items	(373)	0	0	0	0
Advances	(10,893)	0	0	10,893	0
Encumbrances	(16,912)	(7,570)	0	(50,590)	0
Budget Basis	<u>\$12,577</u>	<u>(\$56,510)</u>	<u>(\$22,130)</u>	<u>(\$297,459)</u>	<u>(\$131)</u>

Net Income/Excess of Revenues and
Operating Transfers Over Expenses
Proprietary Fund Type and Nonexpendable Trust Funds

	Enterprise	Nonexpendable Trust
GAAP Basis	\$16,074	\$3,818
Revenue Accruals	(15,796)	433
Expense Accruals	22,056	0
Food Commodity Receipts	(15,284)	0
Capital Outlay	(1,025)	0
Materials and Supplies Inventory	(96)	0
Inventory Held for Resale	947	0
Depreciation	560	0
Encumbrances	(1,098)	0
Budget Basis	<u>\$6,338</u>	<u>\$4,251</u>

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

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

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

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Cash on Hand - At year end, the School District had \$90 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents."

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

Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$877,162 and the bank balance was \$949,428. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$749,428 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 School District to a successful claim by the FDIC.

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

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 entitled "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

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

	Cash and Cash Equivalents/Deposits
GASB Statement 9	\$912,074
Cash With Fiscal Agent	(34,822)
Cash on Hand	(90)
GASB Statement 3	\$877,162

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

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

NOTE 6 - PROPERTY TAXES (Continued)

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999 and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$71,209 in the general fund.

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

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$36,121,060	88.65 %	\$36,614,780	89.07 %
Public Utility Personal	2,588,330	6.35	2,426,330	5.90
Tangible Personal Property	2,035,480	5.00	2,065,730	5.03
Total	\$40,744,870	100.00 %	\$41,106,840	100.00 %
 Tax rate per \$1,000 of assessed valuation	 \$30.98		 \$30.98	

Manufactured Home Tax, commonly referred to as House Trailer Tax, is based on the purchase price obtained from the title: (1) ninety-five percent unfurnished, or (2) eighty percent furnished with a five percent drop each year.

NOTE 7 - INCOME TAX

The School District levies a voted tax of 1/2 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1990, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

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

NOTE 8 - RECEIVABLES

Receivables at June 30, 1999, consisted of taxes, interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Intergovernmental receivables consists of \$14,581 in the Food Service Fund for the Federal School Lunch Room Program.

NOTE 9 - FIXED ASSETS

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

Furniture and Equipment	\$54,522
Less: Accumulated Depreciation	<u>(52,241)</u>
Net Fixed Assets	<u><u>\$2,281</u></u>

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

	Balance 6/30/98	Additions	Deductions	Balance 6/30/99
Land and Improvements	\$108,111	\$0	\$0	\$108,111
Buildings	2,830,657	256,567	0	3,087,224
Vehicles	475,850	58,410	0	534,260
Furniture and Equipment	919,243	107,359	16,771	1,009,831
Total General Fixed Assets	<u><u>\$4,333,861</u></u>	<u><u>\$422,336</u></u>	<u><u>\$16,771</u></u>	<u><u>\$4,739,426</u></u>

There was no significant construction in progress at June 30, 1999.

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The School 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. For fiscal year 1999, the School District contracted with Mangas Insurance for property and fleet, general liability, and inland marine insurance. Coverages provided by Mangas Insurance are as follows:

Building and Contents-replacement cost (\$500 deductible)	\$9,550,936
Inland Marine Coverage (\$100 deductible)	174,372
Boiler and Machinery (\$500 deductible)	No limit
Crime Insurance	7,000
Automobile Liability (\$250 deductible)	300,000
Uninsured Motorists (\$0 deductible)	300,000
General Liability	
Per occurrence	500,000
Total per year	1,000,000

Settlement claims have not exceeded this commercial coverage in any of the past five years. There have been no significant reductions in insurance coverage from last year.

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

NOTE 10 - RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 1999, the School District participated in the Southwestern Ohio Educational Purchasing Council (SOEPC), an insurance purchasing pool (Note 16). The intent of the SOEPC is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the SOEPC. 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 SOEPC. Each participant pays its workers' compensation premium to the State based on the rate for the SOEPC rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the SOEPC. 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 SOEPC. Participation in the SOEPC is limited to school districts that can meet the SOEPC's selection criteria. The firm of Accordia of Ohio Comp Management, Inc, provides administrative, cost control and actuarial services to the SOEPC.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$47,168, \$50,202, and \$76,054; 38.25 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$29,124 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 participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 E. Broad Street, Columbus, Ohio 43215-3771.

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

For fiscal year ended June 30, 1999, plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$120,959, \$213,437, and \$287,547; 79.83 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$24,399 represents the unpaid contribution for fiscal year 1999, and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

All STRS benefits recipients and sponsored dependents are eligible for health care coverage. 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 ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year ended 1998. For the School District, this amount equaled \$161,278 for fiscal 1999.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. 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.

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

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

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 \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$54,582 during the 1999 fiscal year.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who are not on a twelve month contract do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to the number of annual work days per contract plus ninety, not to exceed 200 days for classified personnel and 210 days for certified personnel. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 40 days for all employees.

B. Insurance Benefits

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

NOTE 14 - LONG-TERM OBLIGATIONS

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

	Amount Outstanding 6/30/98	Additions	Deductions	Amount Outstanding 6/30/99
Energy Conservation Loan 1993 5.10%	\$241,596	\$0	\$39,206	\$202,390
Energy Conservation Loan 1995 5.85%	13,505	0	13,505	0
Total Long-Term Bonds and Loans	255,101	0	52,711	202,390
Intergovernmental Payable	40,522	37,280	40,522	37,280
Compensated Absences	237,861	13,019	0	250,880
Total General Long-Term Obligations	<u>\$533,484</u>	<u>\$50,299</u>	<u>\$93,233</u>	<u>\$490,550</u>

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

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

Energy Conservation Loans - On July 1, 1993, Mississinawa Valley School District issued a loan in the amount of \$380,048. On January 6, 1995, the School District issued a loan in the amount of \$19,251. The two loans were issued for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The loan for \$380,048 was issued for a ten year period with final maturity during fiscal year 2004, and will be retired from the General Fund. The loan for \$19,251 was originally issued for an eight year period with final maturity during fiscal year 2004, but was retired in full during fiscal year 1999 from the General Fund.

The intergovernmental payable and compensated absences will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$3,699,616 the energy conservation debt margin was \$167,572 and the unvoted debt margin was \$41,107 at June 30, 1999.

Principal and interest requirements to retire the energy conservation loan general obligation debt are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2000	\$41,206	\$9,830	\$51,036
2001	43,360	7,676	51,036
2002	45,600	5,436	51,036
2003	47,955	3,081	51,036
2004	24,269	621	24,890
Total	<u>\$202,390</u>	<u>\$26,644</u>	<u>\$229,034</u>

NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

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

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$121,510	\$26,739	\$148,249
Depreciation	560	0	560
Operating Loss	(103,127)	(1,265)	(104,392)
Donated Commodities	15,284	0	15,284
Federal and State Subsidies	102,037	0	102,037
Other Non Operating Revenues	145	0	145
Operating Transfers - In	0	3,000	3,000
Net Income (Loss)	14,339	1,735	16,074
Net Working Capital	23,268	15,075	38,343
Total Assets	60,881	15,456	76,337
Long-Term Compensated Absences	9,092	0	9,092
Total Equity	16,457	15,075	31,532
Encumbrances Outstanding	\$175	\$923	\$1,098

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

NOTE 16 - JOINTLY GOVERNED ORGANIZATION AND PUBLIC ENTITY RISK POOL

A. Jointly Governed Organizations

Metropolitan Dayton Educational Cooperative Association - The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment for administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$10,266 for services provided during the year. Financial information can be obtained from Jerry Woodyard, who serves as director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The Montgomery County Educational Service Center acts as the Fiscal Agent for the group. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 1999, the School District paid \$1,266 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after nominating committee nominates individuals to run. One at-large non-public representative is elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state of local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 1999, the School District paid \$51,032 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Television Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

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

NOTE 16 - JOINTLY GOVERNED ORGANIZATION AND PUBLIC ENTITY RISK POOL (Continued)

B. Insurance Purchasing Pool

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (SOEPC), an insurance purchasing pool. The SOEPC's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of SOEPC serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the SOEPC to cover the costs of administering the program.

NOTE 17 - 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 the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$2,747,078 of basic 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 A "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. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

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

NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$15,614	\$15,614
Current Year Set-aside Requirement	53,579	53,579	0	107,158
Current Year Offsets	(10,334)	(62,027)	0	(72,361)
Qualifying Disbursements	(17,199)	0	0	(17,199)
Total	<u>\$26,046</u>	<u>(\$8,448)</u>	<u>\$15,614</u>	<u>\$33,212</u>
Cash Balance Carried Forward to FY 1999	<u>\$26,046</u>	<u>\$0</u>	<u>\$15,614</u>	<u>\$41,660</u>
Amount restricted for Bus Purchases				<u>39,511</u>
Total Restricted Assets				<u>\$81,171</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set - aside for Capital Acquisitions to below zero, these extra amounts may not be used to reduce the set - aside requirements for future years.

NOTE 19 - YEAR 2000 COMPLIANCE

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

The School District has completed an inventory of computer systems and other equipment necessary to conducting the School District operations. The School District uses Ohio Education Computer Network (OECN) State Software for their budgetary, payroll, fixed asset inventory and education management information system (EMIS). These services are provided by the Metropolitan Dayton Educational Computer Association (MDECA - See Note 16). The State is responsible for remediating these systems and any associated costs.

Darke County collects property taxes for distribution to School District. Darke County is responsible for remediating the tax collection system and is solely responsible for any costs associated with the tax collection system project.

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and non-financial information about the School District through the State's Education Management and Information System (EMIS). The State is responsible for remediating these systems and is solely responsible for any costs associated with the Foundation processing and EMIS systems.

To the best of management's knowledge and belief, as of January 13, 2000, the District experienced no significant interruption of mission critical operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the District does business may also experience Year 2000 readiness issues that are as of yet, unknown.

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

NOTE 20 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state 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 adverse effect on the overall financial position of the School District at June 30, 1999.

B. Litigation

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

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

Federal Grantor Pass through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Education (Passed through State Department of Education)						
Title I - Grants to Local Educational Agencies	46672-C1-S1-98	84.010	\$47,340	\$0	\$74,210	\$0
	46672-C1-S1-98C		18,756	0	18,756	0
	46672-C1-S1-99		151,069	0	149,988	0
Total Title 1			217,165	0	242,954	0
Innovative Education Program Strategies - Title VI	46672-C2-S1-97	84.298	0	0	327	0
	46672-C2-S1-98		0	0	2,886	0
	46672-C2-S1-99		2,957	0	686	0
Total Title VI			2,957	0	3,899	0
Goals 2000 Subsidy	46672-G2-S2-99	84.276	5,000	0	0	0
(Passed through Darke Educational Service Center)						
Special Education Grants to States - Title VI-B	46672-6BSF99	84.027	0	0	20,202	0
Drug Free Schools Grant	N/A	84.186	0	0	4,199	0
	N/A		4,094	0	1,587	0
Total Drug Free Schools Grant			4,094	0	5,786	0
(Passed through Miami Valley Career Technology Center)						
Vocational Education Basic Grants to States - ICP Grant	N/A	84.048	0	0	877	0
	N/A		1,764	0	262	0
Total Vocational ICP Grant			1,764	0	1,139	0
Total U.S. Department of Education			230,980	0	273,980	0
U.S. Department of Agriculture (Passed thru State Department of Education)						
<i>Nutrition Cluster:</i>						
National School Breakfast Program	46672-05-PU-98	10.553	8,136	0	8,136	0
National School Lunch	46672-04-PU-98	10.555	73,994	0	73,994	0
Commodities	N/A	10.550	0	14,383	0	15,283
Total Department of Agriculture-Nutrition Cluster			82,130	14,383	82,130	15,283
Total Federal Assistance			\$313,110	\$14,383	\$356,110	\$15,283

See Accompanying Notes to the Schedule of Federal Awards Expenditures

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

NOTE A –SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had \$835 in donated food commodity inventory.

NOTE C - MATCHING REQUIREMENTS

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

FEDERAL AWARDS EXPENDITURES ADMINISTERED BY OTHER GOVERNMENTS:

Mississinawa Valley Local School District also benefitted from other federal award expenditure programs which were passed through the State Department of Education to the Darke County Educational Service Center. These programs are administered by the Darke County Educational Service Center, and are audited according to the Single Audit Act (A-133) at that level. The financial activity of these federal award expenditure programs is reflected in the accompanying financial statements.

FEDERAL GRANTOR/ Pass-Through Grantor/ Program Titles	Federal CFDA Number	Project Number	Amount Expended on Behalf
UNITED STATES DEPARTMENT OF EDUCATION			
Passed through Ohio Department of Education - to Darke County Educational Service Center			
Title VI-B - Preschool Handicapped Program	84.173	046615-PG-S1-98P 046615-PG-S1-99P	\$ 2,618 3,388
Drug-Free Schools and Communities	84.184	046615-DR-S1-99	1,642
Title VI-B - Education of Handicapped Children	84.027	046615-6BSF98 046615-6BSF99	18,968 20,574
Eisenhower Mathematics and Science Education	84.281	046615-MS-S1-98 046615-MS-S1-99	2,999 1,458



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

Mississinawa Valley Local School District
Darke County
419 East Elm Street
Union City, Ohio 45390

To the Board of Education:

We have audited the financial statements of Mississinawa Valley Local School District, Darke County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 13, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 13, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1999-10319-001 and 1999-10319-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 13, 2000.

This report is intended for the information and use 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.

JIM PETRO
Auditor of State

January 13, 2000



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

Mississinawa Valley Local School District
Darke County
419 East Elm Street
Union City, Ohio 45390

To the Board of Education:

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

JIM PETRO
Auditor of State

January 13, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title 1 - CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

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

Finding Number	1999-10319-001
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Lunchroom Ticket Accountability

Lunchroom tickets can be purchased in advance at the elementary and high school/middle school offices. The tickets are not pre-numbered and there is no other control in place to assure that the revenue collected is reconciled with the number of tickets sold and is deposited in its entirety.

The lack of proper controls over ticket sales could lead to errors or irregularities in amounts collected and/or deposited without detection within a timely period by employees in the normal course of performing their assigned functions.

Lunchroom ticket sales should be reconciled with monies collected. This can be accomplished by the use of pre-numbered tickets (and subsequently determining the number of tickets sold using the beginning and ending ticket numbers), or an inventory of tickets on hand should be performed before and after ticket sales to determine the number of tickets sold and that number should be reconciled with monies collected.

Finding Number	1999-10319-002
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Lunchroom Source Documentation and Reconciliation Procedures

Daily Summarization Worksheets for both the elementary and high school/middle school cafeterias did not agree with cash register tapes or amounts recorded on the CN-7 reports. Differences were due to not entering the ticket sales for the elementary cafeteria onto the cash register (while the monies collected from the ticket sales were placed into the cash register and counted with monies collected at the register) and day to day shortages and overages for both the elementary and high school/middle school buildings. Also, there are no controls in place to assure that monies collected are in line with the number of lunches served, tickets sold, and a la carte items sold.

The lack of proper controls over source documentation and lunchroom sales could allow for errors or irregularities in amounts collected and/or deposited without detection within a timely period by employees in the normal course of performing their assigned functions.

Daily Summarization Worksheets should be reconciled with the cash register tapes, ticket sales should be accounted for and deposited separately or (if monies are commingled with cash register collections) the ticket sales should be separately accounted for on the register tapes, and daily shortages or overages should be recorded on the worksheets. Cafeteria personnel should compare Daily Production reports to the Daily Summarization Worksheets and cash register tapes to gain assurance that the number of lunches served corresponds with food preparation and usage and are properly reported on the CN-7 reports. Also, inventories of a la carte items should be maintained and should be periodically reconciled with sales.

SCHEDULE OF PRIOR FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 1999

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-10319-001	Ohio Revised Code Section 5705.41 (B) - Expenditures plus Encumbrances exceed Appropriations	No	Not fully corrected, however no material variances noted for this audit period, finding placed in the management letter.
1998-10319-002	Ohio Revised Code Section 5705.412 - Certificates required for various transaction types	Yes	



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MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT

DARKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 15, 2000**