



**NAPOLEON CITY SCHOOL DISTRICT  
HENRY COUNTY**

**SINGLE AUDIT**

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



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

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**STATE OF OHIO**



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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center  
Room 1420  
Toledo, Ohio 43604-2246  
Telephone 419-245-2811  
800-443-9276  
Facsimile 419-245-2484  
www.auditor.state.oh.us

## REPORT OF INDEPENDENT ACCOUNTANTS

Napoleon City School District  
Henry County  
710 Briarheath Drive  
Napoleon, Ohio 43545-1245

To the Board of Education:

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

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

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

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, are fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

**Jim Petro**  
Auditor of State

January 6, 2000

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

|   | <u>Governmental Fund Types</u> |                            |                          |                             |
|---|--------------------------------|----------------------------|--------------------------|-----------------------------|
|   | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Debt<br/>Service</u>  | <u>Capital<br/>Projects</u> |
| <b>ASSETS AND OTHER DEBITS</b>                              |                                |                            |                          |                             |
| <b>Assets:</b>  |                                |                            |                          |                             |
| Equity in Pooled Cash and Cash Equivalents                  | \$ 1,409,315                   | \$ 1,044,582               | \$ 164,135               | \$ 15,723                   |
| Cash and Cash Equivalents:                                  |                                |                            |                          |                             |
| With Fiscal Agents  |                                | 1,165                      |                          |                             |
| Receivables:  |                                |                            |                          |                             |
| Taxes   | 10,101,426                     |                            | 590,213                  | 315,651                     |
| Accounts  | 9,599                          | 140                        |                          | 55,000                      |
| Advances Due from Other Funds                               | 685,772                        | 2,151                      |                          |                             |
| Materials and Supplies Inventory                            |                                |                            |                          |                             |
| Restricted Assets:  |                                |                            |                          |                             |
| Equity in Pooled Cash and Cash Equivalents                  | 165,030                        |                            |                          |                             |
| Fixed Assets  |                                |                            |                          |                             |
| Accumulated Depreciation                                    |                                |                            |                          |                             |
| <b>Other Debits:</b>  |                                |                            |                          |                             |
| Amounts Available in Debt Service Fund                      |                                |                            |                          |                             |
| Amounts to be Provided from General<br>Government Resources |                                |                            |                          |                             |
| <b>Total Assets and Other Debits</b>                        | <b><u>\$ 12,371,142</u></b>    | <b><u>\$ 1,048,038</u></b> | <b><u>\$ 754,348</u></b> | <b><u>\$ 386,374</u></b>    |
| <b>LIABILITIES, EQUITY, AND OTHER CREDITS</b>               |                                |                            |                          |                             |
| <b>Liabilities:</b>   |                                |                            |                          |                             |
| Accounts Payable  | \$ 95,095                      | \$ 3,534                   | \$ 0                     | \$ 695                      |
| Accrued Wages and Benefits                                  | 1,341,160                      | 22,800                     |                          |                             |
| Compensated Absences Payable                                | 7,216                          |                            |                          |                             |
| Advances Due to Other Funds                                 | 2,151                          | 683,103                    |                          | 2,669                       |
| Intergovernmental Payable                                   | 211,109                        | 7,029                      |                          | 550                         |
| Deferred Revenue  | 9,555,421                      |                            | 555,845                  | 298,553                     |
| Due to Students   |                                |                            |                          |                             |
| Capital Leases Payable                                      |                                |                            |                          |                             |
| Energy Conservation Loan Payable                            |                                |                            |                          |                             |
| Asbestos Removal Loan Payable                               |                                |                            |                          |                             |
| General Obligation Bonds Payable                            |                                |                            |                          |                             |
| Total Liabilities   | <u>11,212,152</u>              | <u>716,466</u>             | <u>555,845</u>           | <u>302,467</u>              |
| <b>Fund Equity and Other Credits:</b>                       |                                |                            |                          |                             |
| Investment in General Fixed Assets                          |                                |                            |                          |                             |
| Retained Earnings:  |                                |                            |                          |                             |
| Unreserved  |                                |                            |                          |                             |
| Fund Balances:  |                                |                            |                          |                             |
| Reserved:   |                                |                            |                          |                             |
| Reserved for Advances                                       | 685,772                        | 2,151                      |                          |                             |
| Reserved for Encumbrances                                   | 144,838                        | 69,817                     |                          | 11,011                      |
| Reserved for Debt Service Principal                         |                                |                            | 164,135                  |                             |
| Reserved for Property Taxes                                 | 546,005                        |                            | 34,368                   | 17,098                      |
| Reserved for Budget Stabilization                           | 165,030                        |                            |                          |                             |
| Unreserved:   |                                |                            |                          |                             |
| Unreserved, Undesignated                                    | (382,655)                      | 259,604                    |                          | 55,798                      |
| Total Fund Equity and Other Credits                         | <u>1,158,990</u>               | <u>331,572</u>             | <u>198,503</u>           | <u>83,907</u>               |
| <b>Total Liabilities, Fund Equity and Other Credits</b>     | <b><u>\$ 12,371,142</u></b>    | <b><u>\$ 1,048,038</u></b> | <b><u>\$ 754,348</u></b> | <b><u>\$ 386,374</u></b>    |

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



| Proprietary Fund Types |                  | Fiduciary Fund Types | Account Groups       |                               | Totals (Memorandum Only) |
|------------------------|------------------|----------------------|----------------------|-------------------------------|--------------------------|
| Enterprise             | Internal Service | Trust and Agency     | General Fixed Asset  | General Long-Term Obligations |                          |
| \$ 45,347              | \$ 12,834        | \$ 148,285           | \$ 0                 | \$ 0                          | \$ 2,840,221             |
|                        |                  |                      |                      |                               | 1,165                    |
|                        |                  |                      |                      |                               | 11,007,290               |
| 202                    |                  | 520                  |                      |                               | 65,461                   |
|                        |                  |                      |                      |                               | 687,923                  |
| 25,908                 |                  |                      |                      |                               | 25,908                   |
|                        |                  |                      |                      |                               | 165,030                  |
| 230,149<br>(156,665)   |                  |                      | 16,417,515           |                               | 16,647,664<br>(156,665)  |
|                        |                  |                      |                      |                               | 164,135                  |
|                        |                  |                      |                      |                               | 9,402,450                |
|                        |                  |                      |                      |                               | 9,402,450                |
| <b>\$ 144,941</b>      | <b>\$ 12,834</b> | <b>\$ 148,805</b>    | <b>\$ 16,417,515</b> | <b>\$ 9,566,585</b>           | <b>\$ 40,850,582</b>     |
| \$ 197                 | \$ 0             | \$ 2,752             | \$ 0                 | \$ 0                          | \$ 102,273               |
| 35,725                 |                  |                      |                      | 0                             | 1,399,685                |
| 13,301                 |                  |                      |                      | 1,007,503                     | 1,028,020                |
|                        |                  |                      |                      | 0                             | 687,923                  |
| 30,100                 |                  |                      |                      | 81,444                        | 330,232                  |
| 19,345                 |                  |                      |                      | 0                             | 10,429,164               |
|                        |                  | 90,198               |                      | 0                             | 90,198                   |
|                        |                  |                      |                      | 24,890                        | 24,890                   |
|                        |                  |                      |                      | 933,436                       | 933,436                  |
|                        |                  |                      |                      | 1,779,856                     | 1,779,856                |
|                        |                  |                      |                      | 5,739,456                     | 5,739,456                |
| 98,668                 |                  | 92,950               |                      | 9,566,585                     | 22,545,133               |
|                        |                  |                      |                      |                               | 16,417,515               |
| 46,273                 | 12,834           |                      |                      |                               | 59,107                   |
|                        |                  |                      |                      |                               | 687,923                  |
|                        |                  |                      |                      |                               | 227,515                  |
|                        |                  |                      |                      |                               | 164,135                  |
|                        |                  |                      |                      |                               | 597,471                  |
|                        |                  |                      |                      |                               | 165,030                  |
|                        |                  |                      |                      |                               | (13,247)                 |
| 46,273                 | 12,834           | 55,855               | 16,417,515           |                               | 18,305,449               |
| <b>\$ 144,941</b>      | <b>\$ 12,834</b> | <b>\$ 148,805</b>    | <b>\$ 16,417,515</b> | <b>\$ 9,566,585</b>           | <b>\$ 40,850,582</b>     |

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

|  | Governmental<br>Fund Types |                    |
|--|----------------------------|--------------------|
|  | General                    | Special<br>Revenue |
| <b>Revenues:</b>   |                            |                    |
| Intergovernmental  | \$ 5,143,358               | \$ 926,283         |
| Interest   | 183,041                    | 3,468              |
| Tuition and Fees   | 116,142                    |                    |
| Rent   | 865                        |                    |
| Extracurricular Activities   |                            | 211,329            |
| Gifts and Donations  |                            | 60,368             |
| Customer Services  | 9,401                      | 1,273              |
| Property and Other Local Taxes   | 7,589,621                  |                    |
| Miscellaneous  | 184,161                    | 10,342             |
|  | <u>13,226,589</u>          | <u>1,213,063</u>   |
| <b>Expenditures:</b>   |                            |                    |
| Instruction:   |                            |                    |
| Regular  | 6,052,947                  | 193,402            |
| Special  | 909,897                    | 328,829            |
| Vocational   | 230,355                    | 4,864              |
| Other  | 941,124                    |                    |
| Support Services:  |                            |                    |
| Pupils   | 605,081                    | 77,123             |
| Instructional Staff  | 255,981                    | 83,760             |
| Board of Education   | 31,678                     |                    |
| Administration   | 1,076,975                  | 10,875             |
| Fiscal   | 422,233                    | 11,268             |
| Operation and Maintenance of Plant   | 1,062,621                  | 1,749              |
| Pupil Transportation   | 611,570                    | 270                |
| Central  | 250,017                    | 125,906            |
| Non-Instructional Services   |                            | 15,239             |
| Extracurricular activities   | 290,315                    | 258,444            |
| Capital Outlay   | 364,031                    |                    |
| Debt Service:  |                            |                    |
| Principal  | 19,555                     |                    |
| Interest   | 2,885                      |                    |
|  | <u>13,127,265</u>          | <u>1,111,729</u>   |
| Excess of Revenues Over (Under) Expenditures   | <u>99,324</u>              | <u>101,334</u>     |
| <b>Other Financing Sources and Uses:</b>   |                            |                    |
| Operating Transfers In   |                            | 2,298              |
| Proceeds from Sale of Fixed Assets   | 1,614                      | 1,281              |
| Refund of Prior Year Expenditures  | 12,316                     |                    |
| Other Financing Sources  |                            | 33,932             |
| Operating Transfers Out  | (213,431)                  |                    |
| Refund of Prior Year Receipts  | (60)                       | (1,155)            |
|  | <u>(199,561)</u>           | <u>36,356</u>      |
| Excess of Revenues and Other Financing Sources Over<br>(Under) Expenditures and Other Financing Uses | <u>(100,237)</u>           | <u>137,690</u>     |
| Fund Balance at Beginning of Year  | <u>1,259,227</u>           | <u>193,882</u>     |
| <b>Fund Balance at End of Year</b>   | <b>\$ 1,158,990</b>        | <b>\$ 331,572</b>  |

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

| Governmental<br>Fund Types |                     | Fiduciary<br>Fund Type | Totals<br>(Memorandum<br>Only) |
|----------------------------|---------------------|------------------------|--------------------------------|
| Debt<br>Service            | Capital<br>Projects | Expendable<br>Trust    |                                |
| \$ 41,158                  | \$ 233,803          | \$ 0                   | \$ 6,344,602                   |
|                            | 22,796              | 1,399                  | 210,704                        |
|                            | 4,150               |                        | 116,142                        |
|                            |                     |                        | 5,015                          |
|                            |                     |                        | 211,329                        |
|                            |                     | 37,362                 | 97,730                         |
|                            |                     |                        | 10,674                         |
| 472,275                    | 235,808             |                        | 8,297,704                      |
|                            | 80,000              | 9,865                  | 284,368                        |
| <u>513,433</u>             | <u>576,557</u>      | <u>48,626</u>          | <u>15,578,268</u>              |
|                            |                     |                        | 6,246,349                      |
|                            |                     |                        | 1,238,726                      |
|                            | 1,952               |                        | 237,171                        |
|                            |                     |                        | 941,124                        |
|                            | 6,470               |                        | 688,674                        |
|                            |                     |                        | 339,741                        |
|                            |                     |                        | 31,678                         |
|                            |                     |                        | 1,087,850                      |
| 12,441                     | 6,227               |                        | 452,169                        |
|                            | 46,502              |                        | 1,110,872                      |
|                            | 153,880             |                        | 765,720                        |
|                            |                     |                        | 375,923                        |
|                            |                     | 42,931                 | 58,170                         |
|                            |                     | 10,432                 | 559,191                        |
|                            | 1,028,712           |                        | 1,392,743                      |
| 160,000                    | 229,360             |                        | 408,915                        |
| 285,250                    | 49,347              |                        | 337,482                        |
| <u>457,691</u>             | <u>1,522,450</u>    | <u>53,363</u>          | <u>16,272,498</u>              |
| <u>55,742</u>              | <u>(945,893)</u>    | <u>(4,737)</u>         | <u>(694,230)</u>               |
|                            | 175,933             |                        | 178,231                        |
|                            |                     |                        | 2,895                          |
|                            | 55,000              |                        | 67,316                         |
|                            |                     |                        | 33,932                         |
|                            |                     |                        | (213,431)                      |
|                            |                     |                        | (1,215)                        |
|                            | <u>230,933</u>      |                        | <u>67,728</u>                  |
| 55,742                     | (714,960)           | (4,737)                | (626,502)                      |
| 142,761                    | 798,867             | 60,592                 | 2,455,329                      |
| <u>\$ 198,503</u>          | <u>\$ 83,907</u>    | <u>\$ 55,855</u>       | <u>\$ 1,828,827</u>            |

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

|  | General                  |                            | Variance:<br>Favorable<br>(Unfavorable) |
|--|--------------------------|----------------------------|---|
|  | Budget                   | Actual                     |   |
| <b>Revenues:</b>   |                          |                            |   |
| Intergovernmental  | \$ 5,137,000             | \$ 5,143,358               | \$ 6,358                                |
| Interest   | 150,000                  | 182,691                    | 32,691                                  |
| Tuition and Fees   | 100,000                  | 112,392                    | 12,392                                  |
| Rent   |                          | 810                        | 810                                     |
| Extracurricular Activities   |                          |                            |   |
| Gifts and Donations  |                          |                            |   |
| Customer Services  | 10,000                   | 9,401                      | (599)                                   |
| Property and Other Local Taxes   | 7,601,498                | 7,635,383                  | 33,885                                  |
| Miscellaneous  |                          | 184,161                    | 184,161                                 |
| Total Revenues   | <u>12,998,498</u>        | <u>13,268,196</u>          | <u>269,698</u>                          |
| <b>Expenditures:</b>   |                          |                            |   |
| Instruction:   |                          |                            |   |
| Regular  | 6,046,682                | 6,008,242                  | 38,440                                  |
| Special  | 893,012                  | 881,756                    | 11,256                                  |
| Vocational   | 236,095                  | 228,894                    | 7,201                                   |
| Other  | 1,041,045                | 980,159                    | 60,886                                  |
| Support Services:  |                          |                            |   |
| Pupils   | 633,373                  | 616,524                    | 16,849                                  |
| Instructional Staff  | 264,064                  | 260,710                    | 3,354                                   |
| Board of Education   | 34,885                   | 31,615                     | 3,270                                   |
| Administration   | 1,087,670                | 1,063,238                  | 24,432                                  |
| Fiscal   | 434,690                  | 428,961                    | 5,729                                   |
| Operation and Maintenance of Plant   | 1,115,087                | 1,101,639                  | 13,448                                  |
| Pupil Transportation   | 688,321                  | 666,552                    | 21,769                                  |
| Central  | 271,571                  | 249,877                    | 21,694                                  |
| Non-Instructional Services   |                          |                            |   |
| Extracurricular activities   | 291,663                  | 283,152                    | 8,511                                   |
| Capital Outlay   | 392,530                  | 371,921                    | 20,609                                  |
| Debt Service:  |                          |                            |   |
| Principal  |                          |                            |   |
| Interest   |                          |                            |   |
| Total Expenditures   | <u>13,430,688</u>        | <u>13,173,240</u>          | <u>257,448</u>                          |
| Excess of Revenues Over (Under) Expenditures   | <u>(432,190)</u>         | <u>94,956</u>              | <u>527,146</u>                          |
| <b>Other Financing Sources and Uses:</b>   |                          |                            |   |
| Operating Transfers In   | 51,337                   | 51,337                     |   |
| Proceeds from Sale of Fixed Assets   |                          | 1,614                      | 1,614                                   |
| Refund of Prior Year Expenditures  |                          | 6,872                      | 6,872                                   |
| Advances In  | 533,199                  | 260,799                    | (272,400)                               |
| Other Financing Sources  |                          |                            |   |
| Operating Transfers Out  | (270,000)                | (264,768)                  | 5,232                                   |
| Refund of Prior Year Receipts  | (60)                     | (60)                       |   |
| Advances Out   | (15,000)                 |                            | 15,000                                  |
| Other Financing Uses   | (165,070)                |                            | 165,070                                 |
| Total Other Financing Sources (Uses)   | <u>134,406</u>           | <u>55,794</u>              | <u>(78,612)</u>                         |
| Excess of Revenues and Other Financing Sources Over<br>(Under) Expenditures and Other Financing Uses | <u>(297,784)</u>         | <u>150,750</u>             | <u>448,534</u>                          |
| Fund Balances at Beginning of Year   | 968,258                  | 968,258                    |   |
| Prior Year Encumbrances Appropriated   | 262,312                  | 262,312                    |   |
| <b>Fund Balance at end of Year</b>   | <u><b>\$ 932,786</b></u> | <u><b>\$ 1,381,320</b></u> | <u><b>\$ 448,534</b></u>                |

| Special Revenue   |                   |   | Debt Service      |                   |   |
|-------------------|-------------------|---|-------------------|-------------------|---|
| Budget            | Actual            | Variance:<br>Favorable<br>(Unfavorable) | Budget            | Actual            | Variance:<br>Favorable<br>(Unfavorable) |
| \$ 784,687        | \$ 784,687        | \$ 0                                    | \$ 45,000         | \$ 41,158         | \$ (3,842)                              |
| 4,450             | 3,468             | (982)                                   |                   |                   |   |
| 156,150           | 211,327           | 55,177                                  |                   |                   |   |
| 56,600            | 60,368            | 3,768                                   |                   |                   |   |
| 2,350             | 1,273             | (1,077)                                 |                   |                   |   |
| 42,500            | 10,476            | (32,024)                                | 450,191           | 473,746           | 23,555                                  |
| 1,046,737         | 1,071,599         | 24,862                                  | 495,191           | 514,904           | 19,713                                  |
| 300,880           | 249,264           | 51,616                                  |                   |                   |   |
| 365,980           | 274,837           | 91,143                                  |                   |                   |   |
| 4,864             | 4,864             |   |                   |                   |   |
| 99,091            | 79,421            | 19,670                                  |                   |                   |   |
| 9,282             | 7,417             | 1,865                                   |                   |                   |   |
| 14,110            | 9,999             | 4,111                                   |                   |                   |   |
| 11,537            | 11,293            | 244                                     | 15,000            | 12,441            | 2,559                                   |
| 17,127            | 12,431            | 4,696                                   |                   |                   |   |
| 981               | 270               | 711                                     |                   |                   |   |
| 242,661           | 242,661           |   |                   |                   |   |
| 21,879            | 12,550            | 9,329                                   |                   |                   |   |
| 362,629           | 272,675           | 89,954                                  |                   |                   |   |
|                   |                   |   | 160,000           | 160,000           |   |
|                   |                   |   | 285,250           | 285,250           |   |
| 1,451,021         | 1,177,682         | 273,339                                 | 460,250           | 457,691           | 2,559                                   |
| (404,284)         | (106,083)         | 298,201                                 | 34,941            | 57,213            | 22,272                                  |
| 3,256             | 5,256             | 2,000                                   |                   |                   |   |
| 700               | 1,281             | 581                                     |                   |                   |   |
| 9,154             |                   | (9,154)                                 |                   |                   |   |
| 33,932            | 33,932            |   |                   |                   |   |
| (2,958)           | (2,958)           |   |                   |                   |   |
| (1,655)           | (1,155)           | 500                                     |                   |                   |   |
| (5,486)           |                   | 5,486                                   |                   |                   |   |
| 36,943            | 36,356            | (587)                                   |                   |                   |   |
| (367,341)         | (69,727)          | 297,614                                 | 34,941            | 57,213            | 22,272                                  |
| 838,803           | 838,803           |   | 106,922           | 106,922           |   |
| 202,939           | 202,939           |   |                   |                   |   |
| <b>\$ 674,401</b> | <b>\$ 972,015</b> | <b>\$ 297,614</b>                       | <b>\$ 141,863</b> | <b>\$ 164,135</b> | <b>\$ 22,272</b>                        |

(Continued)

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

|  | <b>Capital Projects</b> |                        |  |
|--|-------------------------|------------------------|--|
|  | <b>Budget</b>           | <b>Actual</b>          | <b>Variance:<br/>Favorable<br/>(Unfavorable)</b> |
| <b>Revenues:</b>   |                         |                        |  |
| Intergovernmental  | \$ 233,803              | \$ 233,803             | \$ 0   |
| Interest   | 30,116                  | 22,796                 | (7,320)  |
| Tuition and Fees   |                         |                        |  |
| Rent   | 2,000                   | 4,150                  | 2,150  |
| Extracurricular Activities   |                         |                        |  |
| Gifts and Donations  |                         |                        |  |
| Customer Services  |                         |                        |  |
| Property and Other Local Taxes   | 258,754                 | 236,536                | (22,218)   |
| Miscellaneous  | 80,000                  | 80,000                 |  |
| Total Revenues   | <u>604,673</u>          | <u>577,285</u>         | <u>(27,388)</u>                                  |
| <b>Expenditures:</b>   |                         |                        |  |
| Instruction:   |                         |                        |  |
| Regular  |                         |                        |  |
| Special  |                         |                        |  |
| Vocational   | 2,672                   | 1,952                  | 720  |
| Other  |                         |                        |  |
| Support Services:  |                         |                        |  |
| Pupils   | 9,470                   | 6,471                  | 2,999  |
| Instructional Staff  |                         |                        |  |
| Board of Education   |                         |                        |  |
| Administration   |                         |                        |  |
| Fiscal   | 6,500                   | 6,226                  | 274  |
| Operation and Maintenance of Plant   | 65,490                  | 58,976                 | 6,514  |
| Pupil Transportation   | 153,904                 | 153,880                | 24   |
| Central  |                         |                        |  |
| Non-Instructional Services   |                         |                        |  |
| Extracurricular activities   |                         |                        |  |
| Capital Outlay   | 2,227,209               | 2,226,666              | 543  |
| Debt Service:  |                         |                        |  |
| Principal  | 229,360                 | 229,360                |  |
| Interest   | 49,347                  | 49,347                 |  |
| Total Expenditures   | <u>2,743,952</u>        | <u>2,732,878</u>       | <u>11,074</u>                                    |
| Excess of Revenues Over (Under) Expenditures   | <u>(2,139,279)</u>      | <u>(2,155,593)</u>     | <u>(16,314)</u>                                  |
| <b>Other Financing Sources and Uses:</b>   |                         |                        |  |
| Operating Transfers In   | 175,933                 | 175,933                |  |
| Proceeds from Sale of Fixed Assets   |                         |                        |  |
| Refund of Prior Year Expenditures  |                         |                        |  |
| Advances In  |                         |                        |  |
| Other Financing Sources  |                         |                        |  |
| Operating Transfers Out  |                         |                        |  |
| Refund of Prior Year Receipts  |                         |                        |  |
| Advances Out   | (242,991)               | (242,991)              |  |
| Other Financing Uses   |                         |                        |  |
| Total Other Financing Sources (Uses)   | <u>(67,058)</u>         | <u>(67,058)</u>        |  |
| Excess of Revenues and Other Financing Sources Over<br>(Under) Expenditures and Other Financing Uses | <u>(2,206,337)</u>      | <u>(2,222,651)</u>     | <u>(16,314)</u>                                  |
| Fund Balances at Beginning of Year   | 92,567                  | 92,567                 |  |
| Prior Year Encumbrances Appropriated   | 2,134,613               | 2,134,613              |  |
| <b>Fund Balance at end of Year</b>   | <u><b>\$ 20,843</b></u> | <u><b>\$ 4,529</b></u> | <u><b>\$ (16,314)</b></u>                        |

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

| Expendable Trust |                  |   | Totals (Memorandum Only) |                     |   |
|------------------|------------------|---|--------------------------|---------------------|---|
| Budget           | Actual           | Variance:<br>Favorable<br>(Unfavorable) | Budget                   | Actual              | Variance:<br>Favorable<br>(Unfavorable) |
| \$ 0             | \$ 0             | \$ 0                                    | \$ 6,200,490             | \$ 6,203,006        | \$ 2,516                                |
| 1,470            | 1,399            | (71)                                    | 186,036                  | 210,354             | 24,318                                  |
|                  |                  |   | 100,000                  | 112,392             | 12,392                                  |
|                  |                  |   | 2,000                    | 4,960               | 2,960                                   |
|                  |                  |   | 156,150                  | 211,327             | 55,177                                  |
| 44,618           | 37,362           | (7,256)                                 | 101,218                  | 97,730              | (3,488)                                 |
|                  |                  |   | 12,350                   | 10,674              | (1,676)                                 |
| 7,700            | 9,982            | 2,282                                   | 8,310,443                | 8,345,665           | 35,222                                  |
| 53,788           | 48,743           | (5,045)                                 | 130,200                  | 284,619             | 154,419                                 |
|                  |                  |   | 15,198,887               | 15,480,727          | 281,840                                 |
| 300              |                  | 300                                     | 6,347,862                | 6,257,506           | 90,356                                  |
|                  |                  |   | 1,258,992                | 1,156,593           | 102,399                                 |
|                  |                  |   | 243,631                  | 235,710             | 7,921                                   |
|                  |                  |   | 1,041,045                | 980,159             | 60,886                                  |
|                  |                  |   | 741,934                  | 702,416             | 39,518                                  |
|                  |                  |   | 273,346                  | 268,127             | 5,219                                   |
|                  |                  |   | 34,885                   | 31,615              | 3,270                                   |
|                  |                  |   | 1,101,780                | 1,073,237           | 28,543                                  |
|                  |                  |   | 467,727                  | 458,921             | 8,806                                   |
|                  |                  |   | 1,197,704                | 1,173,046           | 24,658                                  |
|                  |                  |   | 843,206                  | 820,702             | 22,504                                  |
|                  |                  |   | 514,232                  | 492,538             | 21,694                                  |
| 44,803           | 42,931           | 1,872                                   | 66,682                   | 55,481              | 11,201                                  |
| 16,029           | 12,384           | 3,645                                   | 670,321                  | 568,211             | 102,110                                 |
|                  |                  |   | 2,619,739                | 2,598,587           | 21,152                                  |
|                  |                  |   | 389,360                  | 389,360             |   |
|                  |                  |   | 334,597                  | 334,597             |   |
| 61,132           | 55,315           | 5,817                                   | 18,147,043               | 17,596,806          | 550,237                                 |
| (7,344)          | (6,572)          | 772                                     | (2,948,156)              | (2,116,079)         | 832,077                                 |
|                  |                  |   | 230,526                  | 232,526             | 2,000                                   |
|                  |                  |   | 700                      | 2,895               | 2,195                                   |
|                  |                  |   | 0                        | 6,872               | 6,872                                   |
| 132              |                  | (132)                                   | 542,485                  | 260,799             | (281,686)                               |
|                  |                  |   | 33,932                   | 33,932              |   |
|                  |                  |   | (272,958)                | (267,726)           | 5,232                                   |
|                  |                  |   | (1,715)                  | (1,215)             | 500                                     |
|                  |                  |   | (263,477)                | (242,991)           | 20,486                                  |
|                  |                  |   | (165,070)                |                     | 165,070                                 |
| 132              |                  | (132)                                   | 104,423                  | 25,092              | (79,331)                                |
| (7,212)          | (6,572)          | 640                                     | (2,843,733)              | (2,090,987)         | 752,746                                 |
| 60,347           | 60,347           |   | 2,066,897                | 2,066,897           |   |
| 231              | 231              |   | 2,600,095                | 2,600,095           |   |
| <b>\$ 53,366</b> | <b>\$ 54,006</b> | <b>\$ 640</b>                           | <b>\$ 1,823,259</b>      | <b>\$ 2,576,005</b> | <b>\$ 752,746</b>                       |

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

|  | <b>Proprietary<br/>Fund Types</b> |                             | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|--|-----------------------------------|-----------------------------|---|
|  | <b>Enterprise</b>                 | <b>Internal<br/>Service</b> |   |
| <b>Operating Revenues:</b>                       |                                   |                             |   |
| Sales  | \$ 349,021                        | \$ 0                        | \$ 349,021                              |
| Other Revenues                                   | 126,291                           | 16,577                      | 142,868                                 |
| <b>Total Operating Revenues</b>                  | <b>475,312</b>                    | <b>16,577</b>               | <b>491,889</b>                          |
| <b>Operating Expenses:</b>                       |                                   |                             |   |
| Salaries   | 222,197                           | 158                         | 222,355                                 |
| Fringe Benefits                                  | 106,667                           | 27                          | 106,694                                 |
| Purchased Services                               | 9,273                             |                             | 9,273                                   |
| Materials and Supplies                           | 341,852                           |                             | 341,852                                 |
| Depreciation                                     | 13,344                            |                             | 13,344                                  |
| Other  | 39,853                            | 18,242                      | 58,095                                  |
| <b>Total Operating Expenses</b>                  | <b>733,186</b>                    | <b>18,427</b>               | <b>751,613</b>                          |
| Operating Loss                                   | (257,874)                         | (1,850)                     | (259,724)                               |
| <b>Non-Operating Revenues and Expenses:</b>      |                                   |                             |   |
| Federal Donated Commodities                      | 80,073                            |                             | 80,073                                  |
| Interest   | 2,280                             |                             | 2,280                                   |
| Federal and State Subsidies                      | 120,942                           |                             | 120,942                                 |
| Other  | 14,870                            |                             | 14,870                                  |
| Loss on Sale of Fixed Assets                     | (42)                              |                             | (42)                                    |
| <b>Total Non-Operating Revenues and Expenses</b> | <b>218,123</b>                    |                             | <b>218,123</b>                          |
| Loss Before Operating Transfers                  | (39,751)                          | (1,850)                     | (41,601)                                |
| Operating Transfers In                           | 35,200                            |                             | 35,200                                  |
| Net Loss   | (4,551)                           | (1,850)                     | (6,401)                                 |
| Retained Earnings at Beginning of Year           | 50,824                            | 14,684                      | 65,508                                  |
| <b>Retained Earnings at End of Year</b>          | <b>\$ 46,273</b>                  | <b>\$ 12,834</b>            | <b>\$ 59,107</b>                        |

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



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

|   | <u>Proprietary<br/>Fund Types</u> |                             | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|---|-----------------------------------|-----------------------------|---|
|   | <u>Enterprise</u>                 | <u>Internal<br/>Service</u> |   |
| <b>DECREASE IN CASH AND CASH EQUIVALENTS</b>  |                                   |                             |   |
| <b>Cash Flows from Operating Activities:</b>  |                                   |                             |   |
| Cash Received from Sales  | \$ 349,267                        | \$ 0                        | \$ 349,267                              |
| Cash Received from Charges for Services   |                                   | 16,577                      | 16,577                                  |
| Other Cash Receipts   | 126,291                           |                             | 126,291                                 |
| Cash Payments to Suppliers for Goods and Service  | (268,231)                         |                             | (268,231)                               |
| Cash Payments for Contract Services   | (9,273)                           |                             | (9,273)                                 |
| Cash Payments for Employee Services   | (198,440)                         | (158)                       | (198,598)                               |
| Cash Payments for Employee Benefits   | (89,256)                          | (27)                        | (89,283)                                |
| Other Cash Payments   | (40,233)                          | (18,242)                    | (58,475)                                |
| Net Cash Used by Operating Activities   | <u>(129,875)</u>                  | <u>(1,850)</u>              | <u>(131,725)</u>                        |
| <b>Cash Flows from Noncapital Financing Activities:</b>   |                                   |                             |   |
| Operating Grants Received   | 120,942                           |                             | 120,942                                 |
| Transfers In  | 35,200                            |                             | 35,200                                  |
| Advances Out  | (17,808)                          |                             | (17,808)                                |
| Other Revenue   | 14,870                            |                             | 14,870                                  |
| Net Cash Provided by Noncapital Financing Activities  | <u>153,204</u>                    |                             | <u>153,204</u>                          |
| <b>Cash Flows from Investing Activities:</b>  |                                   |                             |   |
| Interest on Investments   | <u>2,280</u>                      |                             | <u>2,280</u>                            |
| <b>Cash Flows from Capital and Related Financing Activities:</b>                                |                                   |                             |   |
| Payments for Capital Acquisitions   | <u>(34,303)</u>                   |                             | <u>(34,303)</u>                         |
| Net Decrease in Cash and Cash Equivalents   | (8,694)                           | (1,850)                     | (10,544)                                |
| Cash and Cash Equivalents at Beginning of Year  | 54,041                            | 14,684                      | 68,725                                  |
| <b>Cash and Cash Equivalents at End of Year</b>   | <b><u>\$ 45,347</u></b>           | <b><u>\$ 12,834</u></b>     | <b><u>\$ 58,181</u></b>                 |
| <b>RECONCILIATION OF OPERATING LOSS TO NET<br/>CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b> |                                   |                             |   |
| Operating Loss  | \$ (257,874)                      | \$ (1,850)                  | \$ (259,724)                            |
| <b>Adjustments to Reconcile Operating loss<br/>To Net Cash Used by Operating Activities:</b>    |                                   |                             |   |
| Depreciation  | 13,344                            |                             | 13,344                                  |
| Donated Commodities Used During the Year  | 80,073                            |                             | 80,073                                  |
| Decrease in Assets:   |                                   |                             |   |
| Accounts Receivable   | 246                               |                             | 246                                     |
| Material and Supplies Inventory   | 20,793                            |                             | 20,793                                  |
| Increase (Decrease) in Liabilities:   |                                   |                             |   |
| Compensated Absences Payable  | (792)                             |                             | (792)                                   |
| Intergovernmental Payable   | 17,848                            |                             | 17,848                                  |
| Deferred Revenue  | (20,846)                          |                             | (20,846)                                |
| Accounts Payable  | (6,779)                           |                             | (6,779)                                 |
| Accrued Wages and Benefits  | 24,112                            |                             | 24,112                                  |
| Total Adjustments   | <u>127,999</u>                    |                             | <u>127,999</u>                          |
| <b>Net Cash Used by Operating Activities</b>  | <b><u>\$ (129,875)</u></b>        | <b><u>\$ (1,850)</u></b>    | <b><u>\$ (131,725)</u></b>              |

The Food Service Fund consumed donated commodities with a value of \$80,073. The use of these commodities is reflected as an operating expense.

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

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

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

**THE REPORTING ENTITY**

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

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

**Non-Public Schools:** Within the City boundaries, non-public schools are operated by religious organizations. Current state legislation provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public schools by the Treasurer of the District. The accounting for these school operations is reflected as part of the Special Revenue Funds of the District.

The District is associated with five organizations, which are defined as jointly governed organizations, related organizations or group purchasing pools. These organizations include the Northwest Ohio Computer Association (NWOCA), Northern Buckeye Educational Council, Four County Joint Vocational School, Napoleon Public Library, NBEC Employee Insurance Benefits Program, and the NBEC Workers' Compensation Group Rating Plan. Information about these organizations is presented in Notes 12, 13 and 14 to the general-purpose financial statements.

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

The financial statements of Napoleon City School District have been prepared in conformity with general accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements issued on or before November 30, 1989, to the proprietary funds provided they do not conflict with or contradict GASB pronouncements.

**A. Basis of Accounting**

The modified accrual basis of accounting is followed for Governmental, Expendable Trust, and Agency Funds. The measurement focus is upon determination of financial position and changes in

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

financial position (sources, uses, and balances of financial resources) rather than upon net income determination. Under this basis of accounting:

1. Only current assets and current liabilities are generally included on their balance sheets.
2. Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
3. Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year end.
  - a. Revenue accrued at the end of the year included taxes, interest, student fees, and tuition.
  - b. Property taxes measurable but not available as of June 30, 1999 and delinquent property taxes, whose availability is indeterminate, have been recorded as deferred revenues.
4. Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions:
  - a. General long-term obligation principal and interest are reported only when due.
  - b. The current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources, rather than in the period earned by employees.

The Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred.

**B. Fund Accounting**

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

**1. Governmental Fund Types**

The funds through which most District's functions are typically financed.

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

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

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

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

debt for Governmental Funds only. Under Ohio law, the Debt Service Fund might also be used to account for the payment of debt for Proprietary Funds and the short-term debt of both Governmental and Proprietary Funds.

Capital Projects Funds - The funds 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).

**2. Fiduciary Funds**

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

Trust and Agency Funds - The funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental and/or other funds.

**3. Proprietary Fund Types**

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

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

Internal Service Funds - The funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

**4. Account Groups**

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

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

**C. Budgetary Accounting**

Budgets are adopted on a cash (Non-GAAP) basis.

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

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

1. Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Advance notification of a public hearing is publicized, and the hearing is conducted to obtain taxpayers' comments. The purpose of this Budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board adopted budget is filed with the Henry County Budget Commission for rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function and object level of expenditures, which are the legal levels of budgetary control.
4. A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for a period July 1 to June 30. The appropriation measure may be amended or supplemented during the year, as new information becomes available. Appropriations may not exceed estimated resources.
5. The District maintains budgetary control by not permitting expenditures to exceed appropriations within each fund, function and object without approval of the Board of Education. The Board permits management to make discretionary budgetary adjustments within each fund, which are approved by the Board on a monthly basis. Any adjustments that alter the total fund appropriation require specific action of the Board.
6. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.
7. The District's budget (budget basis) for all funds accounts for certain transactions on a basis, which differs from generally, accepted accounting principles (GAAP basis). The major differences between the budget basis and the GAAP basis are that:
  - a. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes.
  - b. Expenditures and expenses are recorded when paid in cash or encumbered for budget purposes as opposed to when the liability is incurred for GAAP purposes.

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

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

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

|                                   | General             | Special<br>Revenue | Debt<br>Service  | Capital<br>Projects | Expendable<br>Trust |
|-----------------------------------|---------------------|--------------------|------------------|---------------------|---------------------|
| Budget Basis                      | \$ 150,750          | \$ (69,727)        | \$ 57,213        | \$ (2,222,651)      | \$ (6,572)          |
| Adjustments:                      |                     |                    |                  |                     |                     |
| Revenue Accruals                  | (41,607)            | 141,464            | (1,471)          | (728)               | (117)               |
| Expenditure Accruals              | (147,050)           | (6,614)            |                  | 1,199,234           | (443)               |
| Other Financing<br>Sources (Uses) | (255,355)           |                    |                  | 297,991             |                     |
| Reserve for<br>Encumbrances       | 193,025             | 72,567             | 0                | 11,194              | 2,395               |
| GAAP Basis                        | <u>\$ (100,237)</u> | <u>\$ 137,690</u>  | <u>\$ 55,742</u> | <u>\$ (714,960)</u> | <u>\$ (4,737)</u>   |

**D. Encumbrances**

The District is required to use the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**E. Pooled Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. During fiscal year 1999, investments were limited to certificates of deposit and STAROhio.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on, quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

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

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 funds during fiscal year 1999 amounted to \$183,041.

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

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

**F. Inventory**

Inventories are valued at cost (first in, first out) and are determined by physical count. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**G. Property, Plant and Equipment**

1. General Fixed Assets Account Group

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

Public Domain ("infrastructure") general fixed assets consisting of curbs, gutters, sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

2. Proprietary Funds

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

**H. Intergovernmental Revenues**

In Governmental Funds, entitlements and non-reimbursable grants are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs, categorized as follows:



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

**Entitlements**

General Fund

State Foundation Program

**Non-Reimbursable Grants**

Special Revenue Funds

Venture Capital Grant

Education Management Information System

Safe, Drug Free Schools and Communities Grant Program

ESEA Title I

Title VI - Innovative Education Program

Dwight D. Eisenhower Professional Development Program

Goals 2000

School To Work Grant

Technology Literacy Challenge Grant

Capital Projects Fund

School Net Plus

**Reimbursable Grants**

General Fund

Driver Education Reimbursement

Special Revenue Fund

Asbestos Abatement Program

Capital Projects Fund

Vocational Education Equipment Fund

Enterprise Fund

National School Lunch Program

**I. Interfund Transactions**

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

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as advances due to and due from other funds.

**J. Total Columns on Financial Statements**

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

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

**K. Statement of Cash Flows**

For the purpose of reporting cash flows, Proprietary Funds consider investments of the cash management pool and all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**L. Concentration of Credit Risk**

Financial instruments, which potentially subject the District to concentrations of credit risk, consist primarily of taxes receivable. The District performs evaluations of collections and maintains a reserve for potential credit losses.

**M. Compensated Absences**

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

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

**N. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the District 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.

**O. Fund Balance Reserves**

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

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

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

**P. Estimates**

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

**NOTE 3 - EQUITY IN POOLED CASH AND EQUIVALENTS**

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

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

Inactive deposits are public deposits that 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 or deposit accounts including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal 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 issuance's of federal government agencies or instrumentality's.
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

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

6. The State Treasurer's investment pool (STAROhio).

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

***Cash on Hand***

At fiscal year end, the District had \$1,180 in undeposited cash on hand which is included on the balance sheet of the District as part of "equity in pooled cash and cash equivalents." The District also had \$1,165 in cash with fiscal agent held by the Northwest Ohio Educational Service Center. This amount is included on the balance sheet as "cash and cash equivalents with fiscal agent."

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

***Deposits***

At fiscal year end, the carrying amount of the District's deposits was \$1,586,900 and the bank balance was \$1,844,339. Of the bank balance, \$222,035 was covered by federal depository insurance, \$1,300,000 was covered by collateral held in the pledging financial institution's trust department in the District's name, and \$322,304 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

***Investments***

The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

|           | Carrying<br>Amount | Fair Value   |
|-----------|--------------------|--------------|
| STAR Ohio | \$ 1,417,171       | \$ 1,417,171 |

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. A reconciliation between the classifications of cash

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

and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

|  | Cash and<br>Cash<br>Equivalents/<br>Deposits | Investments  |
|--|--|--------------|
| GASB Statement No.9                          | \$ 3,006,416                                 | \$ 0         |
| Cash on Hand                                 | (1,180)                                      |              |
| Cash and Cash Equivalents with Fiscal Agents | (1,165)                                      |              |
| Investments:                                 |  |              |
| STAR Ohio                                    | (1,417,171)                                  | 1,417,171    |
| GASB Statement No. 3                         | \$ 1,586,900                                 | \$ 1,417,171 |

**NOTE 4 - PROPERTY TAXES**

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

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

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

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

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

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

Public utility tangible personal property currently is assessed at 88 percent of its true value. Pertinent public utility tangible personal property tax dates are:

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

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

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

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

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

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

|                                  | Amount         |
|----------------------------------|----------------|
| Agricultural/Residential         | \$ 134,464,470 |
| Commercial/Industrial            | 26,567,240     |
| Public Utility Personal Property | 10,111,390     |
| General Personal Property        | 70,921,112     |
| Total Valuation                  | \$ 242,064,212 |

**NOTE 5 - FIXED ASSETS**

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

|                                    | Balance at<br>6/30/98 | Additions    | Disposals  | Balance at<br>6/30/99 |
|------------------------------------|-----------------------|--------------|------------|-----------------------|
| Land and land improvements         | \$ 254,550            | \$ 0         | \$ 0       | \$ 254,550            |
| Buildings                          | 7,301,791             | 3,385,008    |            | 10,686,799            |
| Furniture, fixtures, and equipment | 2,773,630             | 884,889      | 153,388    | 3,505,131             |
| Vehicles                           | 1,139,840             |              | 73,567     | 1,066,273             |
| Textbooks and library books        | 905,885               |              | 1,123      | 904,762               |
| Construction In Progress           | 479,531               |              | 479,531    |                       |
| Total                              | \$ 12,855,227         | \$ 4,269,897 | \$ 707,609 | \$ 16,417,515         |

The District has \$135,009 of fixed assets listed on its books for assets held by the parochial schools. The fixed assets are included on the District's books because the District has the liability to insure the assets.

A summary of Enterprise Fund fixed assets is as follows:

| Asset Category                     | Balance at<br>6/30/99 |
|------------------------------------|-----------------------|
| Furniture, fixtures, and equipment | \$ 230,149            |
| Less accumulated depreciation      | (156,665)             |
| Total                              | \$ 73,484             |

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

**NOTE 6 - GENERAL LONG-TERM OBLIGATIONS**

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

|  | Balance at<br>6/30/98 | Additions  | Reductions | Balance at<br>6/30/99 |
|--|-----------------------|------------|------------|-----------------------|
| General Obligation Bonds:                            |                       |            |            |                       |
| School Facilities Construction and Improvement Bonds | \$ 5,899,456          | \$ 0       | \$ 160,000 | \$ 5,739,456          |
| General Obligation Notes:                            |                       |            |            |                       |
| EPA Asbestos Loan                                    | 1,911,697             |            | 131,841    | 1,779,856             |
| Energy Conservation Loan                             | 1,030,955             |            | 97,519     | 933,436               |
| Total Long-Term Notes                                | 8,842,108             |            | 389,360    | 8,452,748             |
| Capital Lease Obligation                             | 44,445                |            | 19,555     | 24,890                |
| Pension Obligation                                   | 85,134                |            | 3,690      | 81,444                |
| Compensated Absences                                 | 880,733               | 126,770    |            | 1,007,503             |
| Total Long-Term Obligations                          | \$ 9,852,420          | \$ 126,770 | \$ 412,605 | \$ 9,566,585          |

At June 30, 1999, interest rates, maturity dates, respectively, are as follows:

|   |              |             |
|---|--------------|-------------|
| School Facilities and Improvement Bonds | 4.05 - 5.38% | June, 2019  |
| EPA Asbestos Loan                       | None         | May, 2013   |
| Energy Conservation Loan                | 5.00%        | March, 2007 |

Interest expenditures totaled \$334,597 for the year ended June 30, 1999.

The following summarizes future minimum debt payments at June 30, 1999:

| Fiscal Year<br>Ending June 30, | Principal    | Interest     | Total         |
|--------------------------------|--------------|--------------|---------------|
| 2000                           | \$ 409,201   | \$ 323,066   | \$ 732,267    |
| 2001                           | 434,588      | 310,116      | 744,704       |
| 2002                           | 450,100      | 296,664      | 746,764       |
| 2003                           | 470,865      | 281,265      | 752,130       |
| 2004                           | 491,927      | 265,219      | 757,146       |
| thereafter                     | 6,196,067    | 3,133,839    | 9,329,906     |
| Total                          | \$ 8,452,748 | \$ 4,610,169 | \$ 13,062,917 |

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

**Obligations under Capital Leases**

The District has entered into agreements to lease modular classrooms, copiers and various musical instruments. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Principal lease payments in fiscal year 1999 totaled \$19,555 and is recorded as "Debt Service Principal Retirement" in the General Fund.

The following is a schedule of both the future minimum lease payments and the present value of future minimum lease payments required under the capital leases as of June 30, 1999:

| Fiscal Year Ending June 30,                    | GLTOAG           |
|--|------------------|
| 2000   | \$ 22,440        |
| 2001   | 3,740            |
| Total Minimum Lease Payments                   | 26,180           |
| Less: Amount Representing Interest             | (1,290)          |
| Present Value of Future Minimum Lease Payments | <u>\$ 24,890</u> |

**NOTE 7 - COMPENSATED ABSENCES**

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from five to 20 days. Employees with less than one year of service earn one vacation day per month worked, not to exceed five days. Certain employees are permitted to carry over vacation leave earned in the current year into the next year.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to a teacher upon retirement is limited to 25% of the accumulated sick leave to a maximum of 48.75 days. The amount paid to an administrator or the treasurer upon retirement is limited to 22% of the accumulated sick leave to a maximum of 45.1 days. The amount paid to a classified employee upon retirement is limited to 25% of the accumulated sick leave up to 120 days and 10% of any accumulated sick leave above 120 days. The amount paid to a supervisor upon retirement is limited to 22% of the accumulated sick leave. The amount paid to a confidential employee with a minimum of five years of service upon retirement is limited to 22% of the accumulated sick leave.

At June 30, 1999, the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the General Long-Term Obligation Account Group were \$7,216 and \$1,007,503, respectively. The liability for compensated absences in the proprietary funds at June 30, 1999 was \$13,301.

Effective November 2, 1997, the Board implemented a retirement incentive plan (Plan) for all STRS members who meet the eligibility requirements and elect to participate. The Plan is in effect until June 30, 1999. STRS members who qualify for the Plan must either:



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

- a. Be eligible for retirement when the Plan becomes effective and retire by June 1, 1996 or
- b. Give notice of intent to retire by March 1 of the year in which they become eligible to retire and retire at the end of the school year in which notice of intent to retire was given.

Qualifying members who elect to participate receive a service retirement recognition stipend of \$9,000 (one time cash payment). At June 30, 1999, no members had elected to retire on or before June 1, 1998.

**NOTE 8 - PENSION AND RETIREMENT PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. 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 District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$243,049, \$210,313, and \$201,125, respectively; 49 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$123,966 representing unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds and the general long-term obligations account.

**B. State Teachers Retirement System**

The 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.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion used to fund pension obligations was 12 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 District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$1,114,667, \$973,568, and \$886,140, respectively; 85 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$170,468 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

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

**NOTE 9 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended June 30, 1999, the Board allocated employer contributions to equal eight percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$636,952 during fiscal 1999.

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

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

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

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, 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 District, the amount to fund health care benefits, including the surcharge, equaled \$109,557 during the 1999 fiscal year.

**NOTE 10 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts, theft of or damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District has entered into contracts with various insurance agencies for the following amounts of coverage and deductibles:

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

| Type of Coverage                 | Coverage   | Deductible  |
|----------------------------------|--|-------------|
| Property (building and contents) | \$ 32,764,200  | \$ 500      |
| Boiler                           | 14,159,000   | 1,000/5,000 |
| Liability                        | 5,000,000 aggregate<br>2,000,000 per occurrence  |             |
| Vehicle/Bus                      | 5,000,000 bodily injury<br>5,000,000 property damage<br>5,000,000 uninsured motorist<br>5,000 medical payments | 100         |
| Employer Benefits Liability      | 500,000  | 1,000       |
| Fire Damage                      | 100,000  |             |
| EDP Equipment                    | 300,000  | 100         |
| Band Instruments                 | 217,074  |             |

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

**B. Employee Insurance Benefits Program**

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance plans. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

**C. Workers' Compensation Group Program**

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 13). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

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

**NOTE 11 - ENTERPRISE FUNDS SEGMENT INFORMATION**

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

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

|                         | Lunchroom/<br>Cafeteria | Uniform<br>School<br>Supply | Rotary<br>Fund | Total<br>Enterprise<br>Fund |
|-------------------------|-------------------------|-----------------------------|----------------|-----------------------------|
| Operating revenues      | \$ 349,444              | \$ 86,331                   | \$ 39,537      | \$475,312                   |
| Depreciation            | 13,344                  |                             |                | 13,344                      |
| Operating income (loss) | (266,717)               | 9,792                       | (949)          | (257,874)                   |
| Donated Commodities     | 80,073                  |                             |                | 80,073                      |
| Grants                  | 120,942                 |                             |                | 120,942                     |
| Interest                | 2,168                   |                             | 112            | 2,280                       |
| Transfer In             | 35,000                  |                             | 200            | 35,200                      |
| Net income (loss)       | (13,706)                | 9,792                       | (637)          | (4,551)                     |
| Fixed Asset Additions   | 34,303                  |                             |                | 34,303                      |
| Fixed Asset Deletions   | 5,031                   |                             |                | 5,031                       |
| Net working capital     | (39,570)                | 11,065                      | 1,294          | (27,211)                    |
| Total assets            | 132,692                 | 10,955                      | 1,294          | 144,941                     |
| Total liabilities       | 98,778                  | (110)                       |                | 98,668                      |
| Total equity            | 33,914                  | 11,065                      | 1,294          | 46,273                      |

**NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, Lucas, Williams and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Financial information can be obtained from Michele Zeedyk, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

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

**C. Four County Joint Vocational School**

The Four County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center - one each from the counties of Defiance, Fulton, Henry, and Williams and one

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

additional representative; one representative from each of the city school districts; one representative from each of the exempted village school districts. The Four County Joint Vocational School possesses its own budgeting and taxing authority. To obtain financial information write to the Four County Joint Vocational School, Michele Zeedyk, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**NOTE 13 - GROUP PURCHASING POOLS**

**A. NBEC Employee Insurance Benefits Program**

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**B. NBEC Workers' Compensation Group Rating Plan**

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During this fiscal year, the District paid an enrollment fee of \$883 to the WCGRP to cover the costs of administering the program.

**NOTE 14 - RELATED ORGANIZATION**

**Napoleon Public Library**

The Napoleon Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Napoleon Area City School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires, and fires personnel, and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Napoleon Public Library, John Yeager, Clerk/Treasurer, at 310 West Clinton Street, Napoleon, Ohio 43545.

**NOTE 15 - INTERFUND TRANSACTIONS**

Interfund balances at June 30, 1999 consist of the following individual fund receivables and payables:

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

|                       | Advances<br>Due<br>From Other<br>Funds | Advances<br>Due<br>To Other<br>Funds |
|-----------------------|--|--------------------------------------|
| General Fund          | \$ 685,772                             | \$ 2,151                             |
| Special Revenue Funds | 2,151                                  | 683,103                              |
| Capital Projects Fund |  | 2,669                                |
| Total All Funds       | <u>\$ 687,923</u>                      | <u>\$ 687,923</u>                    |

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

|                  | Transfers In      | Transfers Out     |
|------------------|-------------------|-------------------|
| General Fund     | \$ 0              | \$ 213,431        |
| Special Revenue  | 2,298             |                   |
| Capital Projects | 175,933           |                   |
| Proprietary      | 35,200            |                   |
| Total All Funds  | <u>\$ 213,431</u> | <u>\$ 213,431</u> |

**NOTE 16 - CONTINGENT LIABILITIES**

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

**NOTE 17 - ACCOUNTABILITY**

At June 30, 1999, the Children's Trust, Educational Management Information Systems, Asbestos Grant, and Vocational Equipment State Grant funds had deficit fund balances of \$142, \$1,948, \$121, and \$1,950, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Certain expenditures were not properly certified according to the requirements of Ohio Revised Code Section 5705.41(D).

**NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

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

to be used for the same purposes in future years. The District is also required to set aside money for budget stabilization.

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

|   | <u>Textbooks</u>    | <u>Capital<br/>Acquisition</u> | <u>Budget<br/>Stabilization</u> | <u>Totals</u>     |
|---|---------------------|--------------------------------|---------------------------------|-------------------|
| Set-aside Cash Balance as of<br>June 30, 1998 | \$ 0                | \$ 0                           | \$ 51,337                       |                   |
| Current Year Set-aside Requirement            | 257,000             | 257,000                        | 113,693                         |                   |
| Current Year Offsets                          | (33,625)            | (236,535)                      | 0                               |                   |
| Qualifying Disbursements                      | <u>(378,609)</u>    | <u>(253,168)</u>               | <u>0</u>                        |                   |
| Total   | <u>\$ (155,234)</u> | <u>\$ (232,703)</u>            | <u>\$ 165,030</u>               |                   |
| Cash Balance Carried Forward to FY 1999       | <u>\$ 0</u>         | <u>\$ 0</u>                    | <u>\$ 165,030</u>               |                   |
| Amount restricted for Budget Stabilization    |                     |                                |                                 | <u>\$ 165,030</u> |
| Total Restricted Assets                       |                     |                                |                                 | <u>\$ 165,030</u> |

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

**NOTE 19 - STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$4,512,084 of school foundation support for its general fund.

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

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

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

**NOTE 20 - YEAR 2000 ISSUE**

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

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)).

The district contracts with the Northwest Ohio Computer Association (NWOCA), an external service organization, for its financial operations including financial reporting, payroll and employee benefits, and education statistics reporting system. NWOCA is responsible for remediating these systems.

Henry County collects property taxes for distribution to the District. The county is responsible for remediating the tax collection system. The County is solely responsible for any cost associated with the tax collection system.

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

To the best of management's knowledge and belief, as of January 6, 2000, the District experienced no interruption of 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 yet, unknown.

**NOTE 21 - SUBSEQUENT EVENTS**

A local industry and the Ohio Department of Taxation are waiting for a decision from the Ohio Supreme Court regarding the manner in which automated data processing equipment is being classified for the purpose of determining a valuation in the calculation of personal property taxes. Personal property taxes on this equipment have not been paid while awaiting this decision. As of June 30, 1999, the total amount of delinquent personal property taxes due the District is \$2,785,124 which represents \$2,580,334, \$122,874 and \$81,916 to the General, Bond Retirement and Permanent Improvement Funds taxes receivables, respectively.



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

| <b>FEDERAL GRANTOR</b><br><i>Pass Through Grantor</i><br>Program Title                               | Pass Through<br>Entity<br>Number                                       | Federal<br>CFDA<br>Number |
|--|--|---------------------------|
| <b>UNITED STATES DEPARTMENT OF AGRICULTURE</b><br><i>Passed Through Ohio Department of Education</i> |  |                           |
| Child Nutrition Cluster:   |  |                           |
| Food Distribution Program  | N/A  | 10.550                    |
| National School Lunch Program  | 4438-03-PU-00  | 10.555                    |
| Total United States Department of Agriculture - Child Nutrition Cluster                              |  |                           |
| <b>UNITED STATES DEPARTMENT OF EDUCATION</b><br><i>Passed Through Ohio Department of Education</i>   |  |                           |
| Title I Grants to Local Educational Agencies   | 44438-C1-S1-97C<br>44438-C1-S1-98<br>44438-C1-S1-98C<br>44438-C1-S1-99 | 84.010                    |
| Safe and Drug-Free Schools and<br>Communities_State Grants   | 44438-DR-S1-97<br>44438-DR-S1-98<br>44438-DR-S1-99                     | 84.186                    |
| Goals 2000 - State and Local Education<br>Systemic Improvement Grants                                | 44438-G2-S3-98   | 84.276                    |
| Eisenhower Professional Development<br>State Grants  | 44438-MS-S1-99   | 84.281                    |
| Innovative Educational Program Strategies  | 44438-C2-S1-97<br>44438-C2-S1-98<br>44438-C2-S1-99                     | 84.298                    |
| Technology Literacy Challenge Fund Grants  | 44438-TF-S1-99   | 84.318                    |
| Total United States Department of Education  |  |                           |
| <b>UNITED STATES DEPARTMENT OF LABOR</b><br><i>Passed Through Ohio Department of Education</i>       |  |                           |
| Employment Services and Job Training --<br>Pilot and Demonstration Programs                          | 44438-WK-BE-00   | 17.249                    |
| Total United States Department of Labor  |  |                           |
| <b>UNITED STATES ENVIRONMENTAL PROTECTION AGENCY</b>   |  |                           |
| Asbestos Abatement Program   |  | 66.702                    |
| <b>Totals</b>  |  |                           |

*The accompanying notes are an integral part of this schedule.*

| <u>Receipts</u>   | <u>Non-Cash<br/>Receipts</u> | <u>Expenditures</u> | <u>Non-Cash<br/>Expenditures</u> |
|-------------------|------------------------------|---------------------|----------------------------------|
| \$ 0              | \$ 85,578                    | \$ 0                | \$ 106,424                       |
| 114,826           |                              | 114,826             |                                  |
| <u>114,826</u>    | <u>85,578</u>                | <u>114,826</u>      | <u>106,424</u>                   |
|                   |                              | 7,836               |                                  |
| 51,000            |                              | 55,330              |                                  |
| 22,119            |                              | 22,117              |                                  |
| 154,757           |                              | 92,962              |                                  |
| <u>227,876</u>    |                              | <u>178,245</u>      |                                  |
|                   |                              | 50                  |                                  |
|                   |                              | 740                 |                                  |
| 14,821            |                              | 14,073              |                                  |
| <u>14,821</u>     |                              | <u>14,863</u>       |                                  |
|                   |                              | 3,001               |                                  |
| 11,003            |                              | 9,047               |                                  |
|                   |                              | 994                 |                                  |
|                   |                              | 5,856               |                                  |
| 11,177            |                              | 1,519               |                                  |
| <u>11,177</u>     |                              | <u>8,369</u>        |                                  |
| 162,500           |                              | 242,661             |                                  |
| <u>427,377</u>    |                              | <u>456,186</u>      |                                  |
|                   |                              |                     |                                  |
| 10,000            |                              |                     |                                  |
| <u>10,000</u>     |                              |                     |                                  |
|                   |                              | 11,232              |                                  |
| <u>\$ 552,203</u> | <u>\$ 85,578</u>             | <u>\$ 582,244</u>   | <u>\$ 106,424</u>                |

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
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 - FOOD DISTRIBUTION**

Non-monetary 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 food commodities valued at \$19,345 in inventory



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center  
Room 1420  
Toledo, Ohio 43604-2246  
Telephone 419-245-2811  
800-443-9276  
Facsimile 419-245-2484  
www.auditor.state.oh.us

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

Napoleon City School District  
Henry County  
710 Briarheath Drive  
Napoleon, Ohio 43545-1245

To the Board of Education:

We have audited the financial statements of the Napoleon City School District, Henry County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 6, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-10135-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated January 6, 2000.

**Internal Control Over Financial Reporting**

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



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center  
Room 1420  
Toledo, Ohio 43604-2246  
Telephone 419-245-2811  
800-443-9276  
Facsimile 419-245-2484  
www.auditor.state.oh.us

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

Napoleon City School District  
Henry County  
710 Briarheath Drive  
Napoleon, Ohio 43545-1245

To the Board of Education:

**Compliance**

We have audited the compliance of Napoleon City School District, Henry 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 each of its major federal programs for the year ended June 30, 1999. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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, 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 6, 2000



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

**1. SUMMARY OF AUDITOR'S RESULTS**

|                     |   |   |
|---------------------|---|---|
| <b>(d)(1)(i)</b>    | <b>Type of Financial Statement Opinion</b>  | Unqualified   |
| <b>(d)(1)(ii)</b>   | <b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>         | No  |
| <b>(d)(1)(ii)</b>   | <b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b> | No  |
| <b>(d)(1)(iii)</b>  | <b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>                        | Yes   |
| <b>(d)(1)(iv)</b>   | <b>Were there any material internal control weakness conditions reported for major federal programs?</b>              | No  |
| <b>(d)(1)(iv)</b>   | <b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>      | No  |
| <b>(d)(1)(v)</b>    | <b>Type of Major Programs' Compliance Opinion</b>   | Unqualified   |
| <b>(d)(1)(vi)</b>   | <b>Are there any reportable findings under §.510?</b>   | No  |
| <b>(d)(1)(vii)</b>  | <b>Major Programs (list):</b>   | Technology Literacy Challenge<br>Fund Grants - CFDA #84.318 |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A\B Programs</b>  | Type A: > \$ 300,000<br>Type B: all others                  |
| <b>(d)(1)(ix)</b>   | <b>Low Risk Auditee?</b>  | Yes   |

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

**FINDING NUMBER 1999-10135-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(D) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Otherwise, the contract shall be null and void.

**FINDING NUMBER 1999-10135-001**  
**(Continued)**

The following exceptions to this basic requirement are provided by statute:

- A. Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
- B. Amounts of less than \$100 for counties, or less than \$1,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Twenty percent of the expenditures tested were not certified at the time the commitment was incurred. Neither of the two exceptions mentioned above was used for these transactions. We recommend the Treasurer review this Revised Code section.

We recommend the Treasurer certify the amount required to meet a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the appropriate fund free from any previous encumbrance prior to placing an order. In instances where prior certification is not practical, we recommend issuance of a "then and now" certificate.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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

**NAPOLEON CITY SCHOOL DISTRICT**

**HENRY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 25, 2000**