



**NEW BOSTON LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
General-Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types	9
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types	10
Statement of Revenues, Expenses, and Changes in Fund Equity - Enterprise Fund	12
Statement of Revenues, Expenses, and Changes in Fund Equity - Budget and Actual (Budget Basis) - Enterprise Fund	13
Statement of Cash Flows - Enterprise Fund	14
Notes to the General Purpose Financial Statements	15
Schedule of Federal Awards Receipts and Expenditures	37
Notes to Schedule of Federal Awards Receipts and Expenditures	38
Report of Independent Accountants on Compliance and on Internal Control Required By <i>Government Auditing Standards</i>	39
Report of Independent Accountants on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	41
Schedule of Findings - <i>OMB Circular A-133 Section .505</i>	43
Schedule of Prior Audit Findings	44

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REPORT OF INDEPENDENT ACCOUNTANTS

New Boston Local School District
Scioto County
522 Glenwood Avenue
New Boston, Ohio 45662

To the Board of Education:

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

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *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 New Boston Local School District, as of June 30, 1999, and the results of its operations and the cash flows of its Enterprise Fund for the year then ended in conformity with generally accepted accounting principles.

As described in Note 3 to the accompanying general-purpose financial statements, during the year ended June 30, 1999, the School District changed its method of accounting for deferred compensation.

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

New Boston Local School District
Scioto County
Report of Independent Accountants
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 1999, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

December 21, 1999

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New Boston Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<u>Assets and Other Debits:</u>			
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$384,834	\$51,295	\$9,433
Receivables:			
Taxes	947,666	0	0
Intergovernmental	0	0	0
Prepaid Items	10,960	0	0
Inventory Held for Resale	0	0	0
Materials and Supplies Inventory	36,371	374	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	24,252	0	0
Fixed Assets (Net of Accumulated Depreciation)	0	0	0
 <u>Other Debits:</u>			
Amount to be Provided from General Government Resources	0	0	0
 Total Assets and Other Debits	\$1,404,083	\$51,669	\$9,433

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$17,217	\$33,993	\$0	\$0	\$496,772
0	0	0	0	947,666
12,542	0	0	0	12,542
0	0	0	0	10,960
4,438	0	0	0	4,438
190	0	0	0	36,935
0	0	0	0	24,252
25,812	0	369,437	0	395,249
0	0	0	147,011	147,011
<u>\$60,199</u>	<u>\$33,993</u>	<u>\$369,437</u>	<u>\$147,011</u>	<u>\$2,075,825</u>

(continued)

New Boston Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999
(Continued)

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<u>Liabilities, Fund Equity and Other Credits:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$5,399	\$0	\$0
Accrued Wages and Benefits	236,282	31,479	0
Compensated Absences Payable	15,069	0	0
Intergovernmental Payable	49,637	4,915	0
Deferred Revenue	928,664	0	0
Undistributed Monies	0	0	0
	-----	-----	-----
Total Liabilities	1,235,051	36,394	0
	-----	-----	-----
<u>Fund Equity and Other Credits:</u>			
Investment in General Fixed Assets	0	0	0
Contributed Capital	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balance:			
Reserved for Encumbrances	20,129	0	0
Reserved for Inventory	36,371	374	0
Reserved for Property Taxes	19,002	0	0
Reserved for Budget Stabilization	24,252	0	0
Unreserved:			
Undesignated	69,278	14,901	9,433
	-----	-----	-----
Total Fund Equity and Other Credits	169,032	15,275	9,433
	-----	-----	-----
Total Liabilities, Fund Equity and Other Credits	\$1,404,083	\$51,669	\$9,433
	=====	=====	=====

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$0	\$0	\$0	\$0	\$5,399
8,046	0	0	0	275,807
4,620	0	0	126,837	146,526
5,000	0	0	20,174	79,726
2,444	0	0	0	931,108
0	33,993	0	0	33,993
-----	-----	-----	-----	-----
20,110	33,993	0	147,011	1,472,559
-----	-----	-----	-----	-----
0	0	369,437	0	369,437
15,659	0	0	0	15,659
24,430	0	0	0	24,430
0	0	0	0	20,129
0	0	0	0	36,745
0	0	0	0	19,002
0	0	0	0	24,252
0	0	0	0	93,612
-----	-----	-----	-----	-----
40,089	0	369,437	0	603,266
-----	-----	-----	-----	-----
=====	=====	=====	=====	=====
\$60,199	\$33,993	\$369,437	\$147,011	\$2,075,825

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New Boston Local School District
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 1999

	Governmental Fund Type			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<u>Revenues:</u>				
Property Taxes	\$843,600	\$0	\$0	\$843,600
Intergovernmental	1,549,589	444,895	44,177	2,038,661
Interest	25,658	314	0	25,972
Tuition and Fees	14,078	0	0	14,078
Rent	900	0	0	900
Extracurricular Activities	0	20,244	0	20,244
Gifts and Donations	0	5,495	0	5,495
Miscellaneous	369	145	0	514
	-----	-----	-----	-----
Total Revenues	2,434,194	471,093	44,177	2,949,464
	-----	-----	-----	-----
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	1,079,536	140,967	83,724	1,304,227
Special	110,282	270,874	0	381,156
Other	9,441	0	0	9,441
Support Services:				
Pupils	167,736	5,150	0	172,886
Instructional Staff	96,986	17,087	0	114,073
Board of Education	10,382	0	0	10,382
Administration	381,062	0	0	381,062
Fiscal	152,399	0	0	152,399
Operation and Maintenance of Plant	322,147	16,200	0	338,347
Pupil Transportation	23,618	0	0	23,618
Central	4,786	400	0	5,186
Non-Instructional Services	14,175	0	0	14,175
Extracurricular Activities	45,363	27,131	0	72,494
Intergovernmental	5,000	28,125	0	33,125
	-----	-----	-----	-----
Total Expenditures	2,422,913	505,934	83,724	3,012,571
	-----	-----	-----	-----
Excess of Revenues Over (Under) Expenditures	11,281	(34,841)	(39,547)	(63,107)
	-----	-----	-----	-----
<u>Other Financing Sources:</u>				
Proceeds from Sale of Fixed Assets	390	0	0	390
	-----	-----	-----	-----
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	11,671	(34,841)	(39,547)	(62,717)
	-----	-----	-----	-----
Fund Balances at Beginning of Year	157,794	49,984	48,980	256,758
	-----	-----	-----	-----
Increase in Reserve for Inventory	(433)	132	0	(301)
	-----	-----	-----	-----
Fund Balances at End of Year	\$169,032	\$15,275	\$9,433	\$193,740
	=====	=====	=====	=====

See accompanying notes to the general purpose financial statements

New Boston Local School District
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 1999

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Property Taxes	\$882,707	\$882,707	\$0	\$0	\$0	\$0
Intergovernmental	1,549,589	1,549,589	0	458,083	458,083	0
Interest	21,500	25,658	4,158	314	314	0
Tuition and Fees	14,076	14,078	2	0	0	0
Rent	900	900	0	0	0	0
Extracurricular Activities	0	0	0	20,244	20,244	0
Gifts and Donations	0	0	0	5,495	5,495	0
	-----	-----	-----	-----	-----	-----
Total Revenues	2,468,772	2,472,932	4,160	484,136	484,136	0
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	1,082,645	1,082,644	1	145,231	140,967	4,264
Special	109,885	109,882	3	287,830	274,765	13,065
Other	9,442	9,442	0	0	0	0
Support Services:						
Pupils	166,796	166,796	0	5,947	4,752	1,195
Instructional Staff	98,770	98,770	0	23,472	17,172	6,300
Board of Education	10,227	10,225	2	0	0	0
Administration	381,724	381,994	(270)	0	0	0
Fiscal	154,027	154,027	0	0	0	0
Operation and Maintenance of Plant	342,575	342,573	2	16,200	16,200	0
Pupil Transportation	25,686	25,686	0	0	0	0
Central	6,700	6,700	0	400	400	0
Non-Instructional Services	14,176	14,175	1	0	0	0
Extracurricular Activities	47,933	47,930	3	27,131	27,131	0
	-----	-----	-----	-----	-----	-----
Total Expenditures	2,450,586	2,450,844	(258)	506,211	481,387	24,824
Excess of Revenues Over (Under) Expenditures						
	-----	-----	-----	-----	-----	-----
	18,186	22,088	3,902	(22,075)	2,749	24,824
<u>Other Financing Sources (Uses):</u>						
Operating Transfers - In	0	0	0	43,490	43,490	0
Operating Transfers - Out	(1,749)	0	1,749	(43,490)	(43,490)	0
Other Financing Uses	(29,253)	(5,000)	24,253	0	0	0
Proceeds from Sale of Fixed Assets	390	390	0	0	0	0
Refund of Prior Year Expenditure	369	369	0	145	145	0
	-----	-----	-----	-----	-----	-----
Total Other Financing Sources (Uses)	(30,243)	(4,241)	26,002	145	145	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses						
	-----	-----	-----	-----	-----	-----
	(12,057)	17,847	29,904	(21,930)	2,894	24,824
Fund Balances at Beginning of Year	349,227	349,227	0	43,596	43,596	0
Prior Year Encumbrances Appropriated	14,507	14,507	0	4,805	4,805	0
	-----	-----	-----	-----	-----	-----
Fund Balances at End of Year	\$351,677	\$381,581	\$29,904	\$26,471	\$51,295	\$24,824

See accompanying notes to the general purpose financial statements

Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$882,707	\$882,707	\$0
44,177	44,177	0	2,051,849	2,051,849	0
0	0	0	21,814	25,972	4,158
0	0	0	14,076	14,078	2
0	0	0	900	900	0
0	0	0	20,244	20,244	0
0	0	0	5,495	5,495	0
-----	-----	-----	-----	-----	-----
44,177	44,177	0	2,997,085	3,001,245	4,160
-----	-----	-----	-----	-----	-----
93,157	83,724	9,433	1,321,033	1,307,335	13,698
0	0	0	397,715	384,647	13,068
0	0	0	9,442	9,442	0
0	0	0	172,743	171,548	1,195
0	0	0	122,242	115,942	6,300
0	0	0	10,227	10,225	2
0	0	0	381,724	381,994	(270)
0	0	0	154,027	154,027	0
0	0	0	358,775	358,773	2
0	0	0	25,686	25,686	0
0	0	0	7,100	7,100	0
0	0	0	14,176	14,175	1
0	0	0	75,064	75,061	3
-----	-----	-----	-----	-----	-----
93,157	83,724	9,433	3,049,954	3,015,955	33,999
-----	-----	-----	-----	-----	-----
(48,980)	(39,547)	9,433	(52,869)	(14,710)	38,159
-----	-----	-----	-----	-----	-----
0	0	0	43,490	43,490	0
0	0	0	(45,239)	(43,490)	1,749
0	0	0	(29,253)	(5,000)	24,253
0	0	0	390	390	0
0	0	0	514	514	0
-----	-----	-----	-----	-----	-----
0	0	0	(30,098)	(4,096)	26,002
-----	-----	-----	-----	-----	-----
(48,980)	(39,547)	9,433	(82,967)	(18,806)	64,161
48,980	48,980	0	441,803	441,803	0
0	0	0	19,312	19,312	0
-----	-----	-----	-----	-----	-----
\$0	\$9,433	\$9,433	\$378,148	\$442,309	\$64,161
=====	=====	=====	=====	=====	=====

New Boston Local School District
Statement of Revenues, Expenses
and Changes in Fund Equity
Enterprise Fund
For the Fiscal Year Ended June 30, 1999

	Food Service
<u>Operating Revenues:</u>	
Sales	\$40,632

<u>Operating Expenses:</u>	
Salaries	46,216
Fringe Benefits	11,442
Purchased Services	5,660
Materials and Supplies	3,891
Cost of Sales	80,397
Depreciation	4,469
Other	236

Total Operating Expenses	152,311

Operating Loss	(111,679)

<u>Non-Operating Revenues:</u>	
Federal Donated Commodities	9,317
Federal and State Subsidies	97,403
Interest	1,130
Other	100

Total Non-Operating Revenues	107,950

Net Loss	(3,729)

Retained Earnings at Beginning of Year	28,159

Retained Earnings at End of Year	24,430

Contributed Capital at Beginning of Year	0
Contribution from General Fund	15,659

Contributed Capital at End of Year	15,659

Total Fund Equity at End of Year	\$40,089
	=====

New Boston Local School District
Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Budget Basis)
Enterprise Fund
For the Fiscal Year Ended June 30, 1999

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>			
Sales	\$40,631	\$40,632	\$1
Interest	1,051	1,130	79
Other	100	100	0
Federal and State Subsidies	97,652	97,651	(1)
	-----	-----	-----
Total Revenues	139,434	139,513	79
	-----	-----	-----
<i>Expenses:</i>			
Salaries	45,188	45,188	0
Fringe Benefits	9,526	9,526	0
Purchased Services	5,854	5,853	1
Materials and Supplies	74,932	74,931	1
Other	236	236	0
Capital Outlay	9,000	9,000	0
	-----	-----	-----
Total Expenses	144,736	144,734	2
	-----	-----	-----
Excess of Revenues Over (Under) Expenses	(5,302)	(5,221)	81
Fund Equity at Beginning of Year	21,842	21,842	0
Prior Year Encumbrances Appropriated	99	99	0
	-----	-----	-----
Fund Equity at End of Year	\$16,639	\$16,720	\$81
	=====	=====	=====

See accompanying notes to the general purpose financial statements

New Boston Local School District
Statement of Cash Flows
Enterprise Fund
For the Fiscal Year Ended June 30, 1999

<u><i>Increase (Decrease) in Cash and Cash Equivalents:</i></u>	<u>Food Service</u>
<u><i>Cash Flows from Operating Activities:</i></u>	
Cash Received from Customers	\$40,632
Cash Received from Other Operating Revenues	100
Cash Payments to Suppliers for Goods and Services	(80,287)
Cash Payments to Employees for Services	(45,188)
Cash Payments for Employee Benefits	(9,526)
Cash Payments for Other Operating Expenses	(236)

Net Cash Used for Operating Activities	(94,505)
 <u><i>Cash Flows from Noncapital Financing Activities:</i></u>	
Operating Grants Received	97,651
 <u><i>Cash Flows from Capital and Related Financing Activities:</i></u>	
Aquisition of Capital Assets	(9,000)
 <u><i>Cash Flows from Investing Activities:</i></u>	
Interest	1,130

Net Decrease in Cash and Cash Equivalents	(4,724)
Cash and Cash Equivalents at Beginning of Year	21,941

Cash and Cash Equivalents at End of Year	\$17,217
	=====
 <u><i>Reconciliation of Operating Loss to Net</i></u>	
<u><i>Cash Used for Operating Activities:</i></u>	
Operating Loss	(\$111,679)

<u><i>Adjustments to Reconcile Operating</i></u>	
<u><i>Loss to Net Cash Used for Operating Activities:</i></u>	
Depreciation	4,469
Donated Commodities Used During Year	9,317
<u><i>Changes in Assets and Liabilities:</i></u>	
Increase in Materials and Supplies Inventory	(125)
Increase in Inventory Held for Resale	(96)
Increase in Accrued Wages and Benefits	1,040
Increase in Compensated Absences Payable	1,300
Increase in Intergovernmental Payable	1,269

Total Adjustments	17,174

Net Cash Used For Operating Activities	(\$94,505)
	=====

Noncash Capital Financing Activities

For the fiscal year ended June 30, 1999, the School District's food service fund received kitchen equipment that was donated by the general fund. The equipment was recorded as fixed assets and contributed capital in the food service fund. The fair market value of the assets donated for the food service fund was \$15,659.

See accompanying notes to the general purpose financial statements

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1906 through the consolidation of existing land areas and school districts. The School District serves an area of approximately six square miles. It is located in Scioto County, and includes all of the Village of New Boston. It is staffed by 19 non-certified employees, 37 certified full-time teaching personnel, and 6 administrative employees who provide services to 459 students and other community members. The School District currently operates three instructional buildings, one stadium, and one garage.

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 School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For New Boston Local School District, this includes general operations, food service, and student related activities of the School District.

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

The following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

- < Parent Teacher Organizations
- < Scioto County Educational Service Center
- < Village of New Boston

The School District is associated with five organizations, four of which are defined as jointly governed organizations and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association, the Scioto County Joint Vocational School, the Coalition of Rural and Appalachian Schools, the Scioto County Regional Council of Governments, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14, 15 and 16 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The more significant of the School District's accounting policies are described below.

A. Basis of Presentation - Fund Accounting

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

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

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

Governmental Fund Types

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

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

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

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

Proprietary Fund Type

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Fund Type

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

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

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

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

B. Measurement Focus and Basis of Accounting

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

All proprietary funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund Equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

C. Budgetary Process

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

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

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

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than January 20, the Board-adopted budget is filed with the Scioto County Budget Commission for rate determination.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources

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

Appropriations

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

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, three supplemental appropriation resolutions, which were all significant, were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances

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

Lapsing of Appropriations

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District 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, the School District's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio) and a NOW account. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 1999.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 1999 amounted to \$25,658, which includes \$7,527 assigned from other School District funds. The special revenue funds and the enterprise fund also received interest revenue of \$314 and \$1,130, respectively.

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

E. Inventory

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1998, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fixed Assets and Depreciation

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

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

Assets in the general fixed assets account group are depreciated using the straight-line method over a useful life of fifty years for buildings, twenty to twenty-five for improvements, five to ten years for vehicles, and five to eight years for textbooks. Depreciation of furniture and equipment in the general fixed assets account group and in the enterprise funds is computed using the straight-line method over an estimated useful life of ten to twenty years.

H. Contributed Capital

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

I. Intergovernmental Revenues

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

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

<u>Entitlements</u>
<u>General Fund</u>
State Foundation Program
State Property Tax Relief

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-Reimbursable Grants

Special Revenue Funds

- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- Title I
- Title II
- Title VI
- Title VI-B
- Drug-Free Schools
- Professional Development Block Grant

Capital Projects Fund

- School Net
- School Net Plus

Reimbursable Grants

General Fund

- Driver Education

Proprietary Fund

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

Grants and entitlements amounted to sixty-nine percent of the governmental fund revenue during the 1999 fiscal year.

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

L. Interfund Transactions

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

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

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set aside by the School District to create a reserve for budget stabilization. See Note 19 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

N. 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.

O. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, property taxes, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations 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.

P. Total Columns on General Purpose Financial Statements

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

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

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF BALANCES

GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" provides accounting for deferred compensation plans. The School District participates in the Ohio Public Employees Deferred Compensation Program. During 1998, the Ohio Public Employees Deferred Compensation Program created a trust for the assets of the plan for which the School District has no fiduciary responsibility. Therefore, plan assets are no longer presented on the balance sheet.

4. BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund type (GAAP basis).

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

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

	General	Special Revenue	Capital Projects
GAAP Basis	\$11,671	(\$34,841)	(\$39,547)
Revenue Accruals	39,106	13,188	0
Expenditure Accruals	(5,425)	24,547	0
Encumbrances	(27,505)	0	0
Budget Basis	\$17,847	\$2,894	(\$39,547)

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

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Loss/Excess of Revenues Under Expenses Enterprise Fund	
GAAP Basis	(\$3,729)
Revenue Accruals	248
Expense Accruals	(14,712)
Depreciation Expense	4,469
Capital Outlay	9,000
Encumbrances	<u>(497)</u>
Budget Basis	<u><u>(\$5,221)</u></u>

5. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury bills, bonds, notes, 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;

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

5. DEPOSITS AND INVESTMENTS (Continued)

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$89,041 and the bank balance was \$149,210. Of the bank balance, \$100,000 was covered by federal depository insurance; and \$49,210 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

5. DEPOSITS AND INVESTMENTS (Continued)

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

	Fair Value
STAR Ohio	\$431,983

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$521,024	\$0
Investments:		
STAR Ohio	(431,983)	431,983
GASB Statement No. 3	\$89,041	\$431,983

6. PROPERTY TAXES

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

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

1999 real property taxes are levied after April 1, 1999 on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 1999 real property taxes are collected in and intended to finance fiscal year 2000.

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

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

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

6. PROPERTY TAXES (Continued)

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

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

The assessed values upon which the fiscal year 1998 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$18,896,660	61.06 %	\$20,990,560	61.51 %
Public Utility	5,375,100	17.37 %	5,694,150	16.69 %
Tangible Personal Property	6,676,480	21.57 %	7,439,830	21.80 %
Total Assessed Value	<u>\$30,948,240</u>	<u>100.00 %</u>	<u>\$34,124,540</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$33.84		\$33.84	

7. RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principle items of intergovernmental receivables follows:

	Amount
Enterprise Fund	
National School Lunch Program	<u>\$12,542</u>

8. FIXED ASSETS

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

Furniture and Equipment	\$79,553
Vehicles	<u>9,000</u>
Total Assets	\$88,553
Less Accumulated Depreciation	<u>(62,741)</u>
Net Fixed Assets	<u>\$25,812</u>

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

8. FIXED ASSETS (Continued)

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

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$19,543	\$0	\$0	\$19,543
Buildings and Improvements	625,179	0	0	625,179
Furniture, Fixtures, and Equipment	1,118,300	119,726	17,598	1,220,428
Textbooks	444,302	0	0	444,302
Vehicles	140,050	9,000	10,152	138,898
Totals	<u>\$2,347,374</u>	<u>\$128,726</u>	<u>\$27,750</u>	\$2,448,350
Less Depreciation				<u>(2,078,913)</u>
Total General Fixed Assets				<u>\$369,437</u>

9. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Vern Riffe Insurance for property, fleet, and inland marine insurance, and with Nationwide Insurance for liability insurance. Coverages are as follows:

Building and Contents-replacement cost (\$500 deductible)	\$11,608,916
Inland Marine Coverage (\$500 deductible)	11,608,916
Boiler and Machinery	No limit
Crime Insurance	3,500
Automobile Liability (\$100 deductible)	1,000,000
Uninsured Motorists (\$100 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from last year.

For fiscal year 1998, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

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

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997, were \$37,886, \$45,846, and \$44,847, respectively; 48 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$19,839 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997, were \$155,304, \$184,217, and \$183,703, respectively; 83 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$25,659 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

11. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified 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.

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

11. POSTEMPLOYMENT BENEFITS (Continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS 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 law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$51,768 for fiscal year 1999.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$23,644.

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 for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

12. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 200 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 40 days for all employees.

B. Life Insurance

The School District provides life insurance to employees through CoreSource.

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

12. EMPLOYEE BENEFITS (Continued)

C. Special Termination Benefit Payable

Employees who retire are given a special termination benefit. Employees who have accumulated more than 200 sick leave days shall receive an additional amount at the rate of .08 percent of their current annual salary for each day accumulated in excess of 200 days for severance pay. During fiscal year 1999, no employee took advantage of this benefit program.

D. Deferred Compensation

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

For 1999, the School District has implemented GASB Statement No. 32, "Deferred Compensation Plans". This statement eliminates the requirement that the School District report plan assets in an agency fund if the plan has established a trust fund whose assets are not held by the School District in a fiduciary capacity. The Ohio Public Employees Deferred Compensation Plan has established a trust fund and the amounts are no longer reported on the School District's balance sheet as of June 30, 1999.

13. LONG-TERM OBLIGATIONS

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

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
Pension Obligation	\$21,035	\$20,174	\$21,035	\$20,174
Compensated Absences	113,906	12,931	0	126,837
Total General Long-Term Obligations	<u>\$134,941</u>	<u>\$33,105</u>	<u>\$21,035</u>	<u>\$147,011</u>

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$3,071,209 with an unvoted debt margin of \$34,125 at June 30, 1999.

14. JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Vinton and Lawrence 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 school districts. The governing board of SCOCA consists of two representatives from each county elected by majority vote of all charter member school districts within each county, two treasurers elected by majority vote of all charter member school districts, and one representative from the fiscal agent.

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

14. JOINTLY GOVERNED ORGANIZATIONS (Continued)

The School District paid SCOCA \$984 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P.O.Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Scioto County Joint Vocational School - The Scioto County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the county school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Scioto County Joint Vocational School, at P.O. Box 766, Lucasville, Ohio 45648.

Coalition of Rural and Appalachian Schools - The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Council. The School District paid \$300 to the Coalition for services provided during the year.

15. PUBLIC ENTITY SHARED RISK POOL

Scioto County Regional Council of Governments - The School District is a member of the Scioto County Regional Council of Governments, a public entity shared risk pool. Several Scioto County school districts have entered into an agreement with the South Central Ohio Educational Service Center to form the Scioto County Regional Council of Governments. The overall objectives of the council are to formulate and administer a program of health insurance for the benefit of the council members' employees and their dependents, to obtain lower costs for health coverage, and to secure cost control by implementing a program of comprehensive loss control. The Council's business and affairs are managed by a Board of Directors, consisting of the superintendents from each of the participating school districts. The School District pays premiums based on what the Council estimates will cover the costs of all claims for which the Council is obligated. If the School District's claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District's claims are low, it will not receive a refund. The Council views its activities in the aggregate, rather than on an individual entity basis. To obtain financial information, write to the fiscal agent, South Central Ohio Educational Service Center at Fourth and Court Streets, Portsmouth, Ohio 45662.

16. INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

17. SCHOOL FUNDING

On March 24, 1997 the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$1,393,101 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State Legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued 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. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

18. CONTINGENCIES

A. Grants

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

B. Litigation

The School District is currently not party to any legal proceedings.

19. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

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

19. SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)

A. Textbooks and Instructional Materials

Set-aside balance carried forward from the prior year		\$0
Current year set-aside requirement	\$33,018	
Qualifying expenditures made during the year	(27,370)	
Amount of offsets for the year	<u>(5,648)</u>	
Total		<u>0</u>
Balance of the set-aside to be carried forward to next year		<u><u>\$ 0</u></u>

B. Capital Acquisitions

Set-aside balance carried forward from the prior year		\$0
Current year set-aside requirement	\$33,018	
Qualifying expenditures made during the year	(33,018)	
Amount of offsets for the year	<u>0</u>	
Total		<u>0</u>
Balance of the set-aside to be carried forward to next year		<u><u>\$ 0</u></u>

C. Budget Stabilization

Set-aside balance carried forward from the prior year		\$24,252
Current year set-aside requirement	\$0	
Qualifying expenditures made during the year	0	
Amount of offsets for the year	<u>0</u>	
Total		<u>24,252</u>
Balance of the set-aside to be carried forward to next year		<u><u>\$24,252</u></u>

Amounts of offsets and qualifying expenditures presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying expenditures during the year, these extra amounts may not be used to reduce the set-aside requirements of future years, and are therefore not presented.

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

20. YEAR 2000

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

The School District has completed an inventory of computer systems and other equipment necessary to conducting School District operations. The School District has identified the following systems requiring Year 2000 remediation:

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and the State of Ohio Uniform School Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems and all associated costs.

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" payments. Further, the State processes a significant amount of financial, payroll and employee benefits, and educational statistics information (through the State's Education Management and Information System (EMIS)). The State is responsible for remediating these systems and all associated costs.

Scioto County collects taxes on behalf of the School District. The County is responsible for remediating these systems and all associated costs.

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

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

<u>Agency/Program/Grant</u>	<u>Pass Through Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non - Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
<u>U.S. Department of Agriculture</u>						
Passed Through Ohio						
Department of Education:						
Food Distribution Program	NN-N1	10.550	\$ 0	\$9,503	\$ 0	\$ 9,317
Nutrition Cluster:						
School Breakfast Program	05-PU	10.553	17,899	0	17,899	0
National School Lunch Program	04-PU	10.555	<u>72,260</u>	<u>0</u>	<u>72,260</u>	<u>0</u>
Total Nutrition Cluster			<u>90,159</u>	<u>0</u>	<u>90,159</u>	<u>0</u>
Total U.S. Department of Agriculture			90,159	9,503	90,159	9,317
 <u>U.S. Department of Education</u>						
Pass through Ohio						
Department of Education:						
Educationally Deprived Children - Local Educational Agencies Title I						
	C1-S1	84.010	272,677	0	272,499	0
Special Education - Grants to States (Part B, Education of the Handicapped Act)						
	6B-SF	84.027	19,392	0	19,392	0
Safe and Drug Free Schools and Communities Grant						
	DR-S1	84.186	5,175	0	4,752	0
Eisenhower Professional Development State Grant						
	MS-S1	84.281	5,350	0	2,428	0
Innovative Education Program Strategy - Title VI						
	C2-S1	84.298	<u>2,715</u>	<u>0</u>	<u>3,290</u>	<u>0</u>
Total U.S. Department of Education			<u>305,309</u>	<u>0</u>	<u>302,361</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$395,468</u>	<u>\$9,503</u>	<u>\$392,520</u>	<u>\$9,317</u>

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)

Note A - Significant Accounting Policies

The accompanying Schedule of Federal Awards Receipts and Expenditures is a summary of the activity of the School District's federal awards programs. The Schedule has been prepared on the cash basis of accounting.

Note B - Food Distribution

Non-monetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the School District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

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

New Boston Local School District
Scioto County
522 Glenwood Avenue
New Boston, Ohio 45662

To the Board of Education:

We have audited the financial statements of New Boston Local School District, Scioto County, Ohio (the School District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 21, 1999, in which we indicated that the School District changed its method of accounting for deferred compensation. 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 School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated December 21, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its 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 School District in a separate letter dated December 21, 1999.

New Boston Local School District
Scioto County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

December 21, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

New Boston Local School District
Scioto County
522 Glenwood Avenue
New Boston, Ohio 45662

To the Board of Education:

Compliance

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

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

In our opinion, the School 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 School 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 School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended for the information 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.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

December 21, 1999

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

SCHEDULE OF PRIOR AUDIT FINDINGS
NEW BOSTON LOCAL SCHOOL DISTRICT
SCIOTO COUNTY
JUNE 30, 1999

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-10773-001	The Board of Education should not approve disbursements in excess of appropriations.	No	Partially Corrected. Disbursements did not exceed appropriations at June 30, 1999, however, disbursements did exceed appropriations during the audit period. The amounts were not significant for this audit.
1998-10773-002	The Board of Education should not approve appropriations that exceed estimated resources.	Yes	Finding No Longer Valid.



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NEW BOSTON LOCAL SCHOOL DISTRICT

SCIOTO 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 18, 2000**