



**NORTH CENTRAL LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

North Central Local School District
Williams County
400 East Baubice Street
Pioneer, Ohio 43554-9637

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Jim Petro
Auditor of State

January 12, 2000

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 554,217	\$ 54,072	\$ 205,147	\$ 6,021
Cash and Cash Equivalents:				
With Fiscal Agents		2,193		
Receivables:				
Taxes	2,025,934		300,006	
Accounts	32,016	2,912		
Interfund Receivable	19,100			
Materials and Supplies Inventory				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	50,237			
Fixed Assets				
Accumulated Depreciation				
Other Debits:				
Amount Available in Debt Service Fund				
Amount to be Provided for Retirement of General Long-Term Obligations				
Total Assets and Other Debits	\$ 2,681,504	\$ 59,177	\$ 505,153	\$ 6,021
LIABILITIES, EQUITY, AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$ 5,243	\$ 759	\$ 0	\$ 0
Accrued Wages and Benefits	421,641	7,386		
Compensated Absences Payable	6,964			
Interfund Payable		2,000		
Intergovernmental Payable	56,073	1,132		
Deferred Revenue	1,876,350		285,463	
Due to Students				
General Obligation Bonds Payable				
Total Liabilities	2,366,271	11,277	285,463	
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	40,075	3,793		760
Reserved for Debt Service Principal			205,147	
Reserved for Advances	19,100			
Reserved for Property Taxes	149,584		14,543	
Reserved for Budget Stabilization	50,237			
Unreserved:				
Unreserved, Undesignated	56,237	44,107		5,261
Total Fund Equity and Other Credits	315,233	47,900	219,690	6,021
Total Liabilities, Fund Equity and Other Credits	\$ 2,681,504	\$ 59,177	\$ 505,153	\$ 6,021

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

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 22,437	\$ 70,984	\$ 0	\$ 0	\$ 912,878
				2,193
				2,325,940
6,534				41,462
				19,100
7,787				7,787
				50,237
74,647		6,750,722		6,825,369
(38,062)				(38,062)
			205,147	205,147
			3,194,789	3,194,789
\$ 73,343	\$ 70,984	\$ 6,750,722	\$ 3,399,936	\$ 13,546,840
\$ 198	\$ 0	\$ 0	\$ 0	\$ 6,200
14,812				443,839
6,961			352,130	366,055
17,100				19,100
8,960			32,806	98,971
2,489				2,164,302
	51,737			51,737
			3,015,000	3,015,000
50,520	51,737		3,399,936	6,165,204
		6,750,722		6,750,722
22,823				22,823
				44,628
				205,147
				19,100
				164,127
				50,237
	19,247			124,852
22,823	19,247	6,750,722		7,381,636
\$ 73,343	\$ 70,984	\$ 6,750,722	\$ 3,399,936	\$ 13,546,840

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

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Intergovernmental	\$ 1,871,084	\$ 141,379
Interest	31,543	565
Tuition and Fees	4,708	
Rent	364	
Extracurricular Activities		40,996
Gifts and Donations	182,466	
Property and Other Local Taxes	2,060,020	
Miscellaneous	32,515	1,969
Total Revenues	<u>4,182,700</u>	<u>184,909</u>
Expenditures:		
Instruction:		
Regular	1,992,775	21,346
Special	298,990	101,722
Vocational	124,562	1,724
Other	16,388	
Support Services:		
Pupils	124,133	3,465
Instructional Staff	158,291	8,569
Board of Education	13,907	
Administration	336,900	1,502
Fiscal	138,024	794
Operation and Maintenance of Plant	333,937	479
Pupil Transportation	233,900	
Central	50,463	4,970
Non-Instructional Services	3,300	476
Extracurricular activities	80,223	34,734
Capital Outlay	153,618	
Debt Service:		
Principal		
Interest		
Total Expenditures	<u>4,059,411</u>	<u>179,781</u>
Excess of Revenues Over (Under) Expenditures	<u>123,289</u>	<u>5,128</u>
Other Financing Sources (Uses)		
Proceeds from Sale of Fixed Assets	250	
Refund of Prior Year Expenditures	8,752	
Refund of Prior Year Receipts	(1,059)	
Total Other Financing Sources (Uses)	<u>7,943</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	131,232	5,128
Fund Balance at Beginning of Year	184,001	42,772
Fund Balance at End of Year	<u><u>\$ 315,233</u></u>	<u><u>\$ 47,900</u></u>

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

Governmental Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$ 27,519	\$ 66,124	\$ 0	\$ 2,106,106
9,217	2,493	874	44,692
			4,708
			364
			40,996
		1,075	183,541
304,504			2,364,524
			34,484
<u>341,240</u>	<u>68,617</u>	<u>1,949</u>	<u>4,779,415</u>
	67,037		2,081,158
			400,712
			126,286
			16,388
			127,598
			166,860
			13,907
			338,402
7,620			146,438
			334,416
			233,900
			55,433
		1,750	5,526
			114,957
	356,737		510,355
75,000			75,000
189,837			189,837
<u>272,457</u>	<u>423,774</u>	<u>1,750</u>	<u>4,937,173</u>
<u>68,783</u>	<u>(355,157)</u>	<u>199</u>	<u>(157,758)</u>
			250
			8,752
			(1,059)
			<u>7,943</u>
68,783	(355,157)	199	(149,815)
150,907	361,178	19,048	757,906
<u>\$ 219,690</u>	<u>\$ 6,021</u>	<u>\$ 19,247</u>	<u>\$ 608,091</u>

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

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$ 1,705,861	\$ 1,871,084	\$ 165,223
Interest	31,615	31,543	(72)
Tuition and Fees	5,675	4,751	(924)
Rent	189	309	120
Extracurricular Activities			
Gifts and Donations	136,000	182,466	46,466
Property and Other Local Taxes	1,980,936	2,040,293	59,357
Miscellaneous	517	574	57
Total Revenues	3,860,793	4,131,020	270,227
Expenditures:			
Instruction:			
Regular	1,999,525	1,947,666	51,859
Special	402,440	328,661	73,779
Vocational	125,371	125,010	361
Other	25,161	16,549	8,612
Support Services:			
Pupils	126,480	124,292	2,188
Instructional Staff	162,550	162,190	360
Board of Education	14,462	13,920	542
Administration	347,636	335,066	12,570
Fiscal	139,348	138,893	455
Operation and Maintenance of Plant	365,539	352,190	13,349
Pupil Transportation	258,340	239,168	19,172
Central	50,100	49,310	790
Non-Instructional Services	3,418	3,416	2
Extracurricular activities	87,109	80,505	6,604
Capital Outlay	153,618	153,618	
Debt Service:			
Principal			
Interest			
Total Expenditures	4,261,097	4,070,454	190,643
Excess of Revenues Over (Under) Expenditures	(400,304)	60,566	460,870
Other Financing Sources (Uses):			
Operating Transfers In	4,860	4,860	
Proceeds from Sale of Fixed Assets		251	251
Refund of Prior Year Expenditures	8,753	8,752	(1)
Advances In			
Operating Transfers Out			
Refund of Prior Year Receipts	(1,202)	(1,134)	68
Advances Out	(7,878)	(2,000)	5,878
Other Financing Uses	(40,730)		40,730
Total Other Financing Sources (Uses)	(36,197)	10,729	46,926
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(436,501)	71,295	507,796
Fund Balances at Beginning of Year	395,158	395,158	
Prior Year Encumbrances Appropriated	92,683	92,683	
Fund Balances at end of Year	\$ 51,340	\$ 559,136	\$ 507,796

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$ 145,186	\$ 146,010	\$ 824	\$ 27,519	\$ 27,519	\$ 0
556	565	9	9,410	9,217	(193)
39,202	40,799	1,597			
2,004	2,032	28	295,631	302,587	6,956
186,948	189,406	2,458	332,560	339,323	6,763
24,969	23,486	1,483			
116,757	103,291	13,466			
1,724	1,724				
3,475	3,475				
325	325				
2,358	1,490	868			
798	798		9,300	7,621	1,679
5,000	5,000				
478	476	2			
44,553	36,676	7,877			
			75,000	75,000	
			189,837	189,837	
200,437	176,741	23,696	274,137	272,458	1,679
(13,489)	12,665	26,154	58,423	66,865	8,442
3,200	2,000	(1,200)			
(4,860)	(4,860)				
(1,660)	(2,860)	(1,200)			
(15,149)	9,805	24,954	58,423	66,865	8,442
36,040	36,040		138,282	138,282	
3,676	3,676				
\$ 24,567	\$ 49,521	\$ 24,954	\$ 196,705	\$ 205,147	\$ 8,442

(Continued)

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

	Capital Projects		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 66,124	\$ 66,124	\$ 0
Interest	2,493	2,493	
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Property and Other Local Taxes			
Miscellaneous			
Total Revenues	68,617	68,617	
Expenditures:			
Instruction:			
Regular	72,774	67,797	4,977
Special			
Vocational			
Other			
Support Services:			
Pupils			
Instructional Staff			
Board of Education			
Administration			
Fiscal			
Operation and Maintenance of Plant	284		284
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular activities			
Capital Outlay	403,949	403,949	
Debt Service:			
Principal			
Interest			
Total Expenditures	477,007	471,746	5,261
Excess of Revenues Over (Under) Expenditures	(408,390)	(403,129)	5,261
Other Financing Sources (Uses):			
Operating Transfers In			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Advances In			
Operating Transfers Out			
Refund of Prior Year Receipts			
Advances Out			
Other Financing Uses			
Total Other Financing Sources (Uses)			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(408,390)	(403,129)	5,261
Fund Balances at Beginning of Year	383,522	383,522	
Prior Year Encumbrances Appropriated	24,868	24,868	
Fund Balances at end of Year	\$ 0	\$ 5,261	\$ 5,261

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

Expendable Trust			Total (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 1,944,690	\$ 2,110,737	\$ 166,047
866	873	7	44,940	44,691	(249)
			5,675	4,751	(924)
			189	309	120
			39,202	40,799	1,597
1,075	1,075		137,075	183,541	46,466
			2,276,567	2,342,880	66,313
			2,521	2,606	85
1,941	1,948	7	4,450,859	4,730,314	279,455
			2,097,268	2,038,949	58,319
			519,197	431,952	87,245
			127,095	126,734	361
			25,161	16,549	8,612
			129,955	127,767	2,188
			162,875	162,515	360
			14,462	13,920	542
			349,994	336,556	13,438
			149,446	147,312	2,134
			365,823	352,190	13,633
			258,340	239,168	19,172
			55,100	54,310	790
1,750	1,750		5,646	5,642	4
			131,662	117,181	14,481
			557,567	557,567	
			75,000	75,000	
			189,837	189,837	
1,750	1,750		5,214,428	4,993,149	221,279
191	198	7	(763,569)	(262,835)	500,734
			4,860	4,860	
				251	251
			8,753	8,752	(1)
			3,200	2,000	(1,200)
			(4,860)	(4,860)	
			(1,202)	(1,134)	68
			(7,878)	(2,000)	5,878
			(40,730)		40,730
			(37,857)	7,869	45,726
191	198	7	(801,426)	(254,966)	546,460
19,049	19,049		972,051	972,051	
			121,227	121,227	
\$ 19,240	\$ 19,247	\$ 7	\$ 291,852	\$ 838,312	\$ 546,460

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

	Proprietary Fund Type
	Enterprise
Operating Revenues:	
Sales	\$ 170,334
Other Revenues	10
	170,344
Operating Expenses:	
Salaries	70,045
Fringe Benefits	27,405
Purchased Services	5,148
Materials and Supplies	121,248
Depreciation	528
Capital Outlay	460
	224,834
Total Operating Expenses	224,834
Operating Loss	(54,490)
Non-Operating Revenues and Expenses:	
Federal Donated Commodities	22,865
Interest	591
Federal and State Subsidies	37,333
Loss on Sale of Fixed Assets	(1,683)
	59,106
Total Non-Operating Revenues and Expenses	59,106
Net Income	4,616
Retained Earnings at Beginning of Year	18,207
	22,823
Retained Earnings at End of Year	\$ 22,823

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

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

	Proprietary Fund Type
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	Enterprise
Cash Flows from Operating Activities:	
Cash Received from Sales	\$ 170,749
Other Cash Receipts	10
Cash Payments to Suppliers for Goods and Service	(101,458)
Cash Payments for Contract Services	(5,148)
Cash Payments for Employee Services	(66,083)
Cash Payments for Employee Benefits	(25,271)
Net Cash Used by Operating Activities	(27,201)
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	31,163
Cash Flows from Investing Activities:	
Interest on Investments	591
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(9,336)
Net Decrease in Cash and Cash Equivalents	(4,782)
Cash and Cash Equivalents at Beginning of Year	27,219
Cash and Cash Equivalents at End of Year	\$ 22,437
 RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Loss	\$ (54,490)
Adjustments to Reconcile Operating Loss To Net Cash Used by Operating Activities:	
Depreciation	528
Donated Commodities Used During the Year	22,865
Adjustments to Capital Outlay	460
(Increase) Decrease in Assets:	
Accounts Receivable	415
Material and Supplies Inventory	560
Increase (Decrease) in Liabilities:	
Compensated Absences Payable	(709)
Intergovernmental Payable	3,427
Deferred Revenue	(2,727)
Accounts Payable	(908)
Accrued Wages and Benefits	3,378
Total Adjustments	27,289
Net Cash Used by Operating Activities	\$ (27,201)

The Food Service Fund consumed donated commodities with a value of \$22,865.
 The use of these commodities are reflected as an operating expense.

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

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The North Central Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. North Central Local School District is a local school district as defined by § 3311.03 of Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's instructional and support facility.

The Reporting Entity

The District has implemented the Government Accounting Standards Board (GASB) pronouncements concerning the definition of the reporting entity. Accordingly, the District's balance sheet includes all funds, account groups, agencies, boards, commissions, and component units over which the District officials exercise oversight responsibility.

Oversight responsibility includes such aspects as appointment of governing body members, budget review, approval of property tax levies, outstanding debt secured by District full faith and credit or revenues, and responsibility for funding deficits. On this basis, there were no organizations subject to the District's oversight responsibility, which required incorporation into the financial statements.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

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

1. Only current assets and current liabilities are generally included on their balance sheets.
2. Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
3. Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year end.
 - a. Revenue accrued at the end of the year, included taxes, interest, student fees, and tuition.
 - b. Property taxes measurable but not available as of June 30, 1999 and delinquent property taxes, whose availability is indeterminate, have been recorded as deferred revenues.

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

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

The Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the government holds for others in an agency capacity.

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

B. Fund Accounting

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

1. Governmental Funds

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

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

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

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

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

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

2. Proprietary Funds

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

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

3. Fiduciary Funds

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

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

Agency Funds - The funds used to account for assets held by the District as an agent. The District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups

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

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

C. Budgetary Accounting

Budgets are adopted on a cash basis.

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

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

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function and object level of expenditures, which are the legal levels of budgetary control.
4. A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for a period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.
5. The District maintains budgetary control by not permitting expenditures to exceed appropriations within each fund, function and object without approval of the Board of Education. The Board permits management to make discretionary budgetary adjustments within each fund, which are approved by the Board on a monthly basis. Any adjustments that alter the total fund appropriation require specific action of the Board.
6. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

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

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

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses					
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget basis	\$ 71,295	\$ 9,805	\$ 66,865	\$ (403,129)	\$ 198
Adjustments for:					
Revenue accruals	51,680	(4,497)	1,917		1
Expenditure accruals	(34,275)	(7,591)	1	47,211	
Other financing sources (uses)	(2,786)	2,860			
Encumbrances	45,318	4,551		761	
GAAP Basis	\$ 131,232	\$ 5,128	\$ 68,783	\$ (355,157)	\$ 199

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

D. Encumbrances

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

E. Pooled Cash and Investments

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

During fiscal year 1999, investments were limited to nonnegotiable certificates of deposit and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for 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 District has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to all funds during fiscal year 1999 amounted to \$46,524.

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

F. 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.

G. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost (first in, first out) or market, and are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available spendable resources even though it is a component of

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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net assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expended when used.

H. Property, Plant and Equipment

1. General Fixed Assets Account Group

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

2. Proprietary Funds

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

I. Intergovernmental Revenues

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

Entitlements

General Fund

State Foundation Program
School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

Phonics Demonstration Grant
Teachers Professional Development Block Grant
Title I
Title VI
Title VI-B
Education Management Information Systems

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Drug Free School Grant
Teacher Development
Textbooks/Instructional Materials Subsidy
Capital Projects Funds
SchoolNet Plus
Technology Equity
Emergency Repair Fund

Reimbursable Grants

General Fund
Driver Education Reimbursement
Special Revenue Funds
Vocational Adult Education
Enterprise Fund
National School Lunch Program
Government Donated Commodities

J. Interfund Transactions

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

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

K. Total Columns on Financial Statements

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

Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for amounts required by statute to be set-aside by the District to create a reserve for budget stabilization. See Note 16 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, debt service, advances, property taxes, and budget stabilization.

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

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available 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.

M. Long-Term Obligations

Long term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

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

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

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

Cash on Hand

At year end, the District had \$40 in undeposited cash on hand which is included on the balance sheet of the District as part of "equity in pooled cash and cash equivalents".

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

Deposits

At year end, the carrying amount of the District's deposits was \$268,403 and the bank balance was \$334,489. Of the bank balance:

1. \$100,040 was covered by federal depository insurance; and
2. \$234,449 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments

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

The \$694,672 carrying value in the State Treasurer's Investment Pool (Star Ohio) approximated the fair value at June 30, 1999.

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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	Cash and Cash Equivalents Deposits	Investments
GASB Statement 9	\$ 965,308	\$ 0
Cash on Hand	(40)	
Cash with Fiscal Agents	(2,193)	
Investments of the Cash Management Pool:		
State Treasurer's Investment Pool	(694,672)	694,672
GASB Statement 3	\$ 268,403	\$ 694,672

NOTE 4 - PROPERTY TAXES

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

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

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

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

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

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

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

Collection Dates	April and September of the current year
Lien Date	December 31 of the second year preceding the collection year
Levy Date	April 1 of the year preceding the collection year

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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The County Treasurer collects real estate taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in March and August.

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

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 1999. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion, which is available to advance as of June 30, 1999. The amount available as an advance at June 30, 1999 was \$164,127. \$149,584 was available to the General Fund and \$14,543 was available to the Debt Service Fund.

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

	Amount
Residential/Agricultural	\$ 38,181,070
Commercial/Industrial	6,557,610
Public Utility Personal and Real Property	3,762,600
General Personal Property	14,116,020
Total valuation	\$ 62,617,300

NOTE 5 - FIXED ASSETS

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

Asset Category	Balance at 7/1/98	Adjustments	Additions	Disposals	Balance at 6/30/99
Land and improvements	\$ 133,125	\$ 0	\$ 188,582	\$ 0	\$ 321,707
Buildings and improvements	4,211,444	(64,987)	352,425		4,498,882
Furniture and equipment	866,773	1,062	137,118	(34,568)	970,385
Vehicles	380,631	13,791			394,422
Textbooks and library books	522,220	6,444	36,662		565,326
Construction in progress	47,211			(47,211)	
Total	\$ 6,161,404	\$ (43,690)	\$ 714,787	\$ (81,779)	\$ 6,750,722

Certain fixed assets were overstated/(understated) as of July 1, 1998. The adjustments to correct the July 1, 1998 balance are shown in the schedule above.

A summary of Enterprise Fund fixed assets at June 30, 1999 follows:

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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<u>Asset Category</u>	<u>Balance at 6/30/99</u>
Furniture, fixtures, and equipment	\$ 74,647
Less: accumulated depreciation	<u>(38,062)</u>
Totals	<u>\$ 36,585</u>

NOTE 6 - LONG-TERM OBLIGATIONS

During the year ended June 30, 1999, the following changes occurred in obligations reported in the general long term obligations account Group:

	<u>Balance at 07/01/98</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 06/30/99</u>
General obligation bonds	\$ 3,090,000	\$ 0	\$ 75,000	\$ 3,015,000
Pension obligation	32,500	306		32,806
Compensated absences	<u>345,365</u>	<u>6,765</u>		<u>352,130</u>
Total	<u>\$ 3,467,865</u>	<u>\$ 7,071</u>	<u>\$ 75,000</u>	<u>\$ 3,399,936</u>

Debt outstanding at June 30, 1999 consisted of General Obligation Bonds totaling \$3,015,000 (interest rate was 6.5 percent at June 30, 1999). The bonds were issued in October 1992 and will mature in December 2015.

Total expenditures for interest for the above debt for the period ended June 30, 1999 was \$189,837.

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

<u>For the Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 90,000	\$ 182,780	\$ 272,780
2001	100,000	178,048	278,048
2002	105,000	172,741	277,741
2003	110,000	166,988	276,988
2004	120,000	160,630	280,630
thereafter	<u>2,490,000</u>	<u>1,090,189</u>	<u>3,580,189</u>
Total	<u>\$ 3,015,000</u>	<u>\$ 1,951,376</u>	<u>\$ 4,966,376</u>

NOTE 7 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave components are derived from negotiated agreement and State laws. Employees earn ten to twenty days of vacation per year, depending upon length of service.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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Accumulated unused vacation time is paid to employees upon termination of employment. Employees who are not on an eleven or twelve month contract do not earn vacation time. Employees earn sick leave at the rate of one and one-fourth days for per month. Sick leave may be accumulated up to the number of annual workdays per contract plus ninety. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 212 days.

At June 30, 1999 the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the General Long-Term Obligation Account Group were \$6,964 and \$352,130, respectively. The liability for compensated absences in the proprietary funds at June 30, 1999 was \$6,961.

NOTE 8 - PENSION AND RETIREMENT PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. For fiscal year 1999, 9.02 percent was the portion used to fund pension obligations. Contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$89,957, \$77,087, and \$56,417, respectively; 57 percent has been contributed for fiscal year 1999 and 100 percent of the required contributions for fiscal years 1998 and 1997. \$38,910 representing unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds and the general long-term obligations account.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. The plan offers basic retirement benefits, disability, survivor, and comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefits are established by Chapter 3307, of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and requirements supplementary information. That report may be obtained by writing to STRS, 275 E. Broad St., Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 1998 were 9.3 percent of covered payroll for members and 14 percent for employers, 10.5 percent was the

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

portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$287,012, \$279,653, and \$218,026, respectively; 84 percent has been contributed for fiscal year 1999 and 100 percent of the required contributions for fiscal years 1998 and 1997. \$45,916 representing unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds.

NOTE 9 - POSTEMPLOYMENT BENEFITS

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

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

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

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

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

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 1998, the allocation rate is 4.98 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1998, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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For the District, the amount to fund health care benefits, including the surcharge equaled \$44,577 during the 1999 fiscal year.

NOTE 10 - RISK MANAGEMENT

A. Comprehensive

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

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool (Note 14) consisting of school districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which include health, dental, and life insurance. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 14). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

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

NOTE 11 - ENTERPRISE FUNDS SEGMENT INFORMATION

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

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

	Lunchroom/ Cafeteria	Uniform School Supply	Total Enterprise Funds
Operating revenues	\$ 140,265	\$ 30,079	\$ 170,344
Depreciation	528		528
Operating income (loss)	(57,135)	2,645	(54,490)
Non-operating grants, entitlements and shared revenues	60,198		60,198
Interest	505	86	591
Net income	1,885	2,731	4,616
Fixed asset additions	8,876		8,876
Fixed asset (deletions)	(3,961)		(3,961)
Net working capital	(21,327)	7,565	(13,762)
Total assets	65,778	7,565	73,343
Total liabilities	50,520		50,520
Total equity	15,258	7,565	22,823

NOTE 12 - INTERFUND TRANSACTIONS

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

	Loans Receivable	Loans Payable
General Fund	\$ 19,100	\$ 0
Special Revenue Funds		2,000
Enterprise Funds		17,100
Total All Funds	\$ 19,100	\$ 19,100

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

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

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

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements by the District to NBEC were \$10,549. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Joint Vocational School

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

NOTE 14 - GROUP PURCHASING POOLS

A. NBEC Employee Insurance Benefits Program

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to Northern Buckeye Education Council for insurance benefits were \$292,529. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. NBEC Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under § 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During fiscal year 1999 the District paid an enrollment fee of \$507 to the WCGRP to cover the costs of administering the program.

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

NOTE 15 - AGENCY FUNDS

General-Purpose Statement of Changes in Assets and Liabilities			
	Balance at June 30, 1998	Change	Balance at June 30, 1999
Assets	\$ 49,344	\$ 2,393	\$ 51,737
Liabilities	\$ 49,344	\$ 2,393	\$ 51,737

NOTE 16 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1998	\$ 0	\$ 0	\$ 15,591	
Current Year Set-aside Requirement	54,607	65,610	34,646	
Current Year Offsets			0	
Qualifying Disbursements	(99,502)	(125,100)	0	
Total	\$ (44,895)	\$ (59,490)	\$ 50,237	
Cash Balance Carried Forward to FY 1999	\$ 0	\$ 0	\$ 50,237	
Amount restricted for Budget Stabilization				\$ 50,237
Total Restricted Assets				\$ 50,237

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

NOTE 17 - YEAR 2000 ISSUE

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

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

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

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

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

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

To the best of management's knowledge and belief, as of January 12, 2000, the government experienced no interruptions of operation or serviced related to the Year 2000. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and the parties with whom the District does business may also experience Year 2000 readiness issues that are as yet, unknown.

NOTE 18 - COMPLIANCE

1. Appropriations exceeded estimated resources in the following funds as of June 30, 1999, which is in violation of Ohio Revised Code § 5705.39:

- General Fund
- District Managed Student Activity Fund
- Vocational Adult Education Fund
- Teacher Development Fund
- Textbook/Instructional Materials Subsidy Fund
- Title VI-B Fund
- Title I Fund
- Drug Free Schools Grant Fund
- SchoolNet Fund
- Emergency Building Repair Fund
- District Agency Fund

2. Expenditures were not properly certified as required by Ohio Revised Code § 5705.41(D).

NOTE 19 - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio

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

General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this School District. During the fiscal year ended June 30, 1999, the District received \$1,700,373 of school foundation support for its general fund.

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

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

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

North Central Local School District
Williams County
400 East Baubice Street
Pioneer, Ohio 43554-9637

To the Board of Education:

We have audited the financial statements of North Central Local School District (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 12, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-10186-001 and 1999-10186-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 12, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 12, 2000.

North Central Local School District
Williams 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 and the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 12, 2000

**SCHEDULE OF FINDINGS
JUNE 30, 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-10186-001

Noncompliance Citation

Ohio Revised Code § 5705.39 states that the total appropriations for each fund should not exceed the total estimated revenue available for expenditure as certified by the county budget commission. Appropriations exceeded the amounts certified as available to the budget commission during portions of the fiscal year, up to the amounts indicated below:

General Fund	\$ 284,121
District Managed Student Activity Fund	6,178
Vocational Adult Education Fund	1,724
Teacher Development Fund	1,734
Title VI-B Fund	35,552
Title I Fund	85,089
Drug Free Schools Grant Fund	4,109
School Net Fund	60,744
Emergency Building Repair Fund	2,493
District Agency Fund	21,471

In addition, certificates that appropriations did not exceed estimated resources were not received from the County Auditor for each appropriation measure passed by the Board of Education. All funds, except the Vocational Adult Education Fund and the District Agency Fund, were in compliance at fiscal year-end since corrections were made to increase total estimated resources in excess of appropriations. The noncompliance in these funds was due to the lack of a timely execution of an increase in the amended certificate of estimated resources or a decrease in appropriations. Allowing appropriations to exceed estimated resources could result in deficit spending during the fiscal year. We recommend the appropriations be compared with the total estimated resources before each appropriation measure is approved and a certificate be obtained from the County Auditor.

FINDING NUMBER 1999-10186-002

Noncompliance Citation

Ohio Revised Code § 5705.41(D) provides no order or contracts involving the expenditures of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection of the credit of an appropriate fund free from any previous encumbrances. The following exceptions to this basic requirement are provided by statute:

- A. The fiscal officer can certify that both at the time that the contract or order was made and at the time that the fiscal officer is completing the certificate, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
- B. Amounts of less than one thousand dollars may be paid by the fiscal officer without affirmation of the Board of Education upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful.

Twenty seven percent of the transactions tested did not include prior certification of the Treasurer, nor was there evidence of a “then and now” certificate being used by the Treasurer. We recommend the District certify the availability of funds prior to the cash expenditure, and to encumber the entire amount of the invoice at the time the purchase order is approved.



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NORTH CENTRAL LOCAL SCHOOL DISTRICT

WILLIAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 1, 2000**