



**OHIO HI-POINT JOINT VOCATIONAL SCHOOL DISTRICT
LOGAN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Ohio Hi-Point Joint Vocational School District
Logan County
2280 State Route 540 East
Bellefontaine, Ohio 43311

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Ohio Hi-Point Joint Vocational School District, Logan 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.

Except as discussed in the following paragraphs, 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 general-purpose 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.

The District does not maintain adequate records to support the amounts reported as inventory in the Internal Service Fund Type. The District accounting records did not permit us to extend our auditing procedures sufficiently to satisfy ourselves regarding the value of inventory stated at \$22,878 in the Combined Balance Sheet.

The District does not maintain appropriate records to support the amounts reported as charges for services in the Internal Service Fund Type. The District accounting records for warehouse revenue did not permit us to extend our auditing procedures sufficiently to satisfy ourselves regarding charges for services stated at \$62,146 in the Combined Statement of Revenues, Expenses, and Changes in Retained Earnings.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had sufficient information supporting amounts reported as inventory and charges for services been adequate, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Ohio Hi-Point Joint Vocational School District, Logan County, as of June 30, 1999, and the results of its operations and cash flows of its proprietary fund types 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 22, 2000, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

JIM PETRO
Auditor of State

January 22, 2000

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Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Equity in Pooled Cash and Investments	\$2,029,629	\$421,623	\$802,514	\$1,067,994
Restricted Equity in Pooled Cash and Investments	296,751	0	0	0
Receivables:				
Taxes	2,534,345	0	0	0
Intergovernmental	0	80,857	0	0
Accounts	0	58,551	0	0
Accrued Interest	14,303	0	0	913
Interfund Receivable	549,804	4,088	0	0
Inventory	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets & Other Debits	<u>\$5,424,832</u>	<u>\$565,119</u>	<u>\$802,514</u>	<u>\$1,068,907</u>
Liabilities, Fund Equity & Other Credits:				
Liabilities:				
Accounts Payable	\$56,474	\$35,184	\$0	\$11,437
Accrued Wages & Benefits	461,897	22,745	0	0
Compensated Absences Payable	31,815	7,304	0	0
Interfund Payable	2,016	479,150	0	0
Deferred Revenue	2,339,900	3,171	0	0
Due to Students	0	0	0	0
Capital Lease Obligations	0	0	0	0
Notes Payable	0	0	0	0
Total Liabilities	<u>2,892,102</u>	<u>547,554</u>	<u>0</u>	<u>11,437</u>
Fund Equity & Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	31,872	195,956	0	89,417
Reserved for Property Tax Advances	194,445	0	0	0
Reserved For Set-Asides	296,751	0	0	0
Unreserved & Undesignated	2,009,662	(178,391)	802,514	968,053
Total Fund Equity (Deficit) & Other Credits	<u>2,532,730</u>	<u>17,565</u>	<u>802,514</u>	<u>1,057,470</u>
Total Liabilities, Fund Equity & Other Credits	<u>\$5,424,832</u>	<u>\$565,119</u>	<u>\$802,514</u>	<u>\$1,068,907</u>

See accompanying notes to the financial statements.

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$19,828	\$8,176	\$17,190	\$0	\$0	\$4,366,954
0	0	0	0	0	296,751
0	0	0	0	0	2,534,345
0	0	0	0	0	80,857
0	0	0	0	0	58,551
0	0	0	0	0	15,216
0	2,274	0	0	0	556,166
0	22,878	0	0	0	22,878
61,915	24,512	0	12,320,141	0	12,406,568
0	0	0	0	802,514	802,514
0	0	0	0	246,966	246,966
<u>\$81,743</u>	<u>\$57,840</u>	<u>\$17,190</u>	<u>\$12,320,141</u>	<u>\$1,049,480</u>	<u>\$21,387,766</u>
\$131	\$0	\$250	\$0	\$0	\$103,476
10,388	0	0	0	0	495,030
1,867	0	0	0	257,072	298,058
65,000	10,000	0	0	0	556,166
0	0	0	0	0	2,343,071
0	0	14,231	0	0	14,231
0	0	0	0	36,549	36,549
0	0	0	0	755,859	755,859
<u>77,386</u>	<u>10,000</u>	<u>14,481</u>	<u>0</u>	<u>1,049,480</u>	<u>4,602,440</u>
0	0	0	12,320,141	0	12,320,141
0	61,142	0	0	0	61,142
4,357	(13,302)	0	0	0	(8,945)
0	0	0	0	0	317,245
0	0	0	0	0	194,445
0	0	0	0	0	296,751
0	0	2,709	0	0	3,604,547
<u>4,357</u>	<u>47,840</u>	<u>2,709</u>	<u>12,320,141</u>	<u>0</u>	<u>16,785,326</u>
<u>\$81,743</u>	<u>\$57,840</u>	<u>\$17,190</u>	<u>\$12,320,141</u>	<u>\$1,049,480</u>	<u>\$21,387,766</u>

**Combined Statement of Revenues, Expenditures
And Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Funds
For the Year Ended June 30, 1999**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Taxes	\$3,709,488	\$0	\$0	\$0	\$0	\$3,709,488
Intergovernmental	2,503,136	1,135,537	0	0	0	3,638,673
Investment	226,561	0	0	15,579	0	242,140
Tuition & Fees	65	585,557	0	0	0	585,622
Miscellaneous	44,090	149,762	0	0	521	194,373
Total Revenues	6,483,340	1,870,856	0	15,579	521	8,370,296
Expenditures:						
Current:						
Instruction:						
Regular	527,574	0	0	1,578	0	529,152
Special	171,470	0	0	0	0	171,470
Vocational	1,699,867	389,625	0	67,876	0	2,157,368
Other	1,148	859,209	0	1,791	0	862,148
Support Services:						
Pupils	595,213	313,264	0	245	0	908,722
Instructional Staff	400,588	336,010	0	2,510	0	739,108
Board of Education	29,290	0	0	0	0	29,290
Administration	263,830	141,824	0	298	0	405,952
Fiscal	258,324	4,500	0	810	0	263,634
Business	158,234	8,202	0	70,007	0	236,443
Operation & Maintenance of Plant	745,427	0	0	4,664	0	750,091
Pupil Transportation	12,136	0	0	0	0	12,136
Central	114,246	8,639	0	2,964	0	125,849
Operation of Non-Instructional Services	0	1,036	0	21,651	750	23,437
Extracurricular Activities	0	25	0	0	0	25
Capital Outlay	0	0	0	94,070	0	94,070
Debt Service:						
Principal Retirement	0	0	92,199	0	0	92,199
Interest & Fiscal Charges	0	0	15,560	0	0	15,560
Total Expenditures	4,977,347	2,062,334	107,759	268,464	750	7,416,654
Excess of Revenues Over (Under) Expenditures	1,505,993	(191,478)	(107,759)	(252,885)	(229)	953,642
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	27,254	0	0	0	0	27,254
Operating Transfers In	0	150,000	0	450,000	0	600,000
Operating Transfers Out	(600,000)	0	0	0	0	(600,000)
Total Other Financing Sources (Uses)	(572,746)	150,000	0	450,000	0	27,254
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	933,247	(41,478)	(107,759)	197,115	(229)	980,896
Fund Balance, Beginning of Year	1,599,483	59,043	910,273	860,355	2,938	3,432,092
Fund Balance, End of Year	\$2,532,730	\$17,565	\$802,514	\$1,057,470	\$2,709	\$4,412,988

See accompanying notes to the financial statements.

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**Combined Statement of Revenues, Expenditures
And Changes in Fund Balances
Budget and Actual (Non-GAAP Budgetary Basis)
All Governmental Fund Types
For the Year Ended June 30, 1999**

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$3,698,536	\$3,698,536	\$0	\$0	\$0	\$0
Intergovernmental	2,503,136	2,503,136	0	1,237,391	1,237,391	0
Investment	205,046	205,046	0	0	0	0
Tuition & Fees	25	65	40	530,177	530,177	0
Miscellaneous	44,683	44,703	20	152,659	152,659	0
Total Revenues	6,451,426	6,451,486	60	1,920,227	1,920,227	0
Expenditures:						
Current:						
Instruction:						
Regular	553,122	534,149	18,973	0	0	0
Special	215,171	168,541	46,630	0	0	0
Vocational	1,681,275	1,671,303	9,972	606,348	582,980	23,368
Other	32,297	995	31,302	882,494	846,668	35,826
Support Services:						
Pupils	597,917	579,436	18,481	359,475	352,979	6,496
Instructional Staff	427,745	400,912	26,833	413,212	340,960	72,252
Board of Education	49,951	29,705	20,246	0	0	0
Administration	298,612	264,969	33,643	151,968	150,060	1,908
Fiscal	273,437	259,821	13,616	4,500	4,500	0
Business	187,777	174,255	13,522	9,117	8,202	915
Operation & Maintenance of Plant	804,353	751,195	53,158	0	0	0
Pupil Transportation	16,585	13,266	3,319	0	0	0
Central	180,554	119,278	61,276	14,000	9,789	4,211
Operation of Non-Instructional Services	0	0	0	1,036	1,036	0
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest & Fiscal Charges	0	0	0	0	0	0
Total Expenditures	5,318,796	4,967,825	350,971	2,442,150	2,297,174	144,976
Excess (Deficiency) of Revenues Over Under Expenditures	1,132,630	1,483,661	351,031	(521,923)	(376,947)	144,976
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	27,254	27,254	0	0	0	0
Refund of Prior Year Expenditures	269	269	0	0	0	0
Refund of Prior Year Receipts	(5,000)	0	5,000	(4,545)	(452)	4,093
Operating Transfers In	0	0	0	150,000	150,000	0
Operating Transfers Out	(600,000)	(600,000)	0	0	0	0
Advances In	593,973	593,973	0	655,150	655,150	0
Advances Out	(730,200)	(730,150)	50	0	(498,973)	(498,973)
Total Other Financing Sources (Uses)	(713,704)	(708,654)	5,050	800,605	305,725	(494,880)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	418,926	775,007	356,081	278,682	(71,222)	(349,904)
Fund Balance, Beginning of Year (Includes Prior Year Encumbrances Appropriated)	1,473,897	1,473,897	0	263,336	263,336	0
Fund Balance, End of Year	\$1,892,823	\$2,248,904	\$356,081	\$542,018	\$192,114	(\$349,904)

See accompanying notes to the financial statements.

Debt Service			Capital Projects			Totals (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0	\$3,698,536	\$3,698,536	\$0
0	0	0	0	0	0	3,740,527	3,740,527	0
0	0	0	13,833	13,833	0	218,879	218,879	0
0	0	0	0	0	0	530,202	530,242	40
0	0	0	0	0	0	197,342	197,362	20
0	0	0	13,833	13,833	0	8,385,486	8,385,546	60
0	0	0	22,601	1,578	21,023	575,723	535,727	39,996
0	0	0	350	0	350	215,521	168,541	46,980
0	0	0	97,713	95,506	2,207	2,385,336	2,349,789	35,547
0	0	0	26,000	1,791	24,209	940,791	849,454	91,337
0	0	0	8,000	245	7,755	965,392	932,660	32,732
0	0	0	22,500	6,378	16,122	863,457	748,250	115,207
0	0	0	0	0	0	49,951	29,705	20,246
0	0	0	10,000	298	9,702	460,580	415,327	45,253
0	0	0	20,000	810	19,190	297,937	265,131	32,806
0	0	0	111,600	100,672	10,928	308,494	283,129	25,365
0	0	0	30,000	4,663	25,337	834,353	755,858	78,495
0	0	0	6,000	0	6,000	22,585	13,266	9,319
0	0	0	56,500	2,964	53,536	251,054	132,031	119,023
0	0	0	33,396	30,709	2,687	34,432	31,745	2,687
0	0	0	503,167	117,766	385,401	503,167	117,766	385,401
92,199	92,199	0	0	0	0	92,199	92,199	0
16,801	15,560	1,241	0	0	0	16,801	15,560	1,241
109,000	107,759	1,241	947,827	363,380	584,447	8,817,773	7,736,138	1,081,635
(109,000)	(107,759)	1,241	(933,994)	(349,547)	584,447	(432,287)	649,408	1,081,695
0	0	0	0	0	0	27,254	27,254	0
0	0	0	0	0	0	269	269	0
0	0	0	0	0	0	(9,545)	(452)	9,093
0	0	0	450,000	450,000	0	600,000	600,000	0
0	0	0	0	0	0	(600,000)	(600,000)	0
0	0	0	0	0	0	1,249,123	1,249,123	0
0	0	0	0	0	0	(730,200)	(1,229,123)	(498,923)
0	0	0	450,000	450,000	0	536,901	47,071	(489,830)
(109,000)	(107,759)	1,241	(483,994)	100,453	584,447	104,614	696,479	591,865
910,273	910,273	0	865,856	865,856	0	3,513,362	3,513,362	0
\$801,273	\$802,514	\$1,241	\$381,862	\$966,309	\$584,447	\$3,617,976	\$4,209,841	\$591,865

**Combined Statement of Revenues, Expenses
And Changes in Retained Earnings
All Proprietary Fund Types
For the Year Ended June 30, 1999**

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
Operating Revenues:			
Charges for Services	\$166,921	\$62,146	\$229,067
Tuition & Fees	48,103	0	48,103
Extracurricular Revenue	41,731	0	41,731
Total Operating Revenues	<u>256,755</u>	<u>62,146</u>	<u>318,901</u>
Operating Expenses:			
Salaries	75,376	759	76,135
Fringe Benefits	22,773	6	22,779
Purchased Services	310	0	310
Materials & Supplies	181,394	39,588	220,982
Depreciation	8,655	1,537	10,192
Total Operating Expenses	<u>288,508</u>	<u>41,890</u>	<u>330,398</u>
Operating Income (Loss)	<u>(31,753)</u>	<u>20,256</u>	<u>(11,497)</u>
Non-Operating Revenues (Expenses):			
Operating Grants - Federal	2,106	0	2,106
Total Non-Operating Revenues	<u>2,106</u>	<u>0</u>	<u>2,106</u>
Net Income (Loss)	(29,647)	20,256	(9,391)
Retained Earnings, Beginning of Year	<u>34,004</u>	<u>(33,558)</u>	<u>446</u>
Retained Earnings, End of Year	<u>\$4,357</u>	<u>(\$13,302)</u>	<u>(\$8,945)</u>

See accompanying notes to the financial statements.

Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended June 30, 1999

	Proprietary Fund Types		Totals (Memorandum only)
	Enterprise	Internal Service	
Cash Flows from Operating Activities:			
Cash Received from Tuition & Fees	\$48,103	\$0	\$48,103
Cash Received from Charges for Services	167,917	61,121	229,038
Cash Received from Miscellaneous Sources	41,731	0	41,731
Cash Payments for Personal Services	(99,360)	(6)	(99,366)
Cash Payments for Contract Services	(310)	0	(310)
Cash Payments for Supplies & Materials	<u>(181,412)</u>	<u>(38,904)</u>	<u>(220,316)</u>
Net Cash Provided (Used) by Operating Activities	<u>(23,331)</u>	<u>22,211</u>	<u>(1,120)</u>
Cash Flows from Non-Capital Financing Activities:			
Cash Received from Other Funds	10,000	0	10,000
Cash Used from Other Funds	0	(30,000)	(30,000)
Cash Received from Operating Grants	<u>2,385</u>	<u>0</u>	<u>2,385</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>12,385</u>	<u>(30,000)</u>	<u>(17,615)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	<u>(18,926)</u>	<u>(1,286)</u>	<u>(20,212)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(18,926)</u>	<u>(1,286)</u>	<u>(20,212)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(29,872)	(9,075)	(38,947)
Cash and Cash Equivalents at Beginning of Year	<u>49,700</u>	<u>17,251</u>	<u>66,951</u>
Cash and Cash Equivalents at End of Year	<u>\$19,828</u>	<u>\$8,176</u>	<u>\$28,004</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	(\$31,753)	\$20,256	(\$11,497)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	8,655	1,537	10,192
Changes in Assets and Liabilities:			
(Increase) Decrease in Interfund Receivables	0	(2,274)	(2,274)
(Increase) Decrease in Accounts Receivables	996	1,249	2,245
(Increase) Decrease in Materials & Supplies Inventory	0	3,603	3,603
Increase (Decrease) in Accounts Payable	(18)	(151)	(169)
Increase (Decrease) in Accrued Wages & Benefits	415	0	415
Increase (Decrease) in Compensated Absences Payable	<u>(1,626)</u>	<u>(2,009)</u>	<u>(3,635)</u>
Net Cash Provided (Used) by Operating Activities	<u>(23,331)</u>	<u>\$22,211</u>	<u>(\$1,120)</u>

See accompanying notes to the financial statements.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 1999**

1. DESCRIPTION OF THE DISTRICT

Ohio Hi-Point Joint Vocational School District is a district of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. The School District exposes students to job training leading to employment upon graduation from high school. Ohio Hi-Point Joint Vocational School District includes fourteen member schools throughout Logan, Hardin, Champaign, Union and Auglaize counties.

The School District was established on January 27, 1970. It is staffed by 39 non-certified employees and 84 certified full-time teaching personnel who provide services to 527 high school students and 3,636 adult students and other community members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the district have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below:

A. Reporting Entity

For financial reporting purposes, the District's financial statements include all funds and account groups of the primary government. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. Under this criteria, only the primary government is included in the financial statements. The District also considered potential component units for inclusion in the financial statements. For Ohio Hi-Point Joint Vocational School District, this includes general operations, food service, and student related activities of the School District. Generally, component units are legally separate organizations for which the appointed officials of the primary government (i.e. the District) are financially accountable. The District would consider an organization to be a component unit if:

1. The District appointed a voting majority of the organization's governing body; and (a) was able to impose its will on that organization; or (b) there was a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District; or
2. The organization was fiscally dependent upon the District; or
3. The nature of the relationship between the District and the organization was such that the exclusion from the financial reporting entity would render the financial statements misleading.

The District included no component units in the accompanying financial statements.

The School District is associated with one jointly governed organization and two insurance purchasing pools. These organizations include the Western Ohio Computer Organization, the Logan County Schools Benefit Plan Association, and the Ohio School Board Association Workers' Compensation Group Rating Plan.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the District are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Account groups are a reporting device to account for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

Governmental Funds - Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except for those accounted for in the Proprietary Fund type and the Fiduciary Fund type) are accounted for through Governmental Funds. The following are the District's Governmental Funds:

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

Special Revenue Funds - Are used to account for the proceeds of specific revenue sources (other than major Capital Projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Are used to account for the accumulation of resources for, -and- the payment of, general long-term debt principal, interest, and related costs; and for the payment of interest on general obligation notes payable, as required by Ohio Law.

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 Funds - Proprietary Funds are used to account for the District's ongoing activities, which are similar to those most often found in the private sector. The following are the District's Proprietary Funds:

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

Internal Service Fund - The Internal Service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Fiduciary Funds - Fiduciary Funds are used for the assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. School District's fiduciary funds include expendable trust and agency funds. Expendable trust funds are accounted for essentially the same manner as governmental funds. The School District's 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 general nature, the following account groups are used:

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting

Measurement Focus: Governmental Fund types and Expendable Trust Funds are accounted for on a spending, or "current financial resources," measurement focus. Governmental Fund types operating statements represent increases and decreases in net current assets. Their reported fund balances are considered a measure of available spendable resources.

Proprietary Funds types are accounted for on a cost of services, or "economic resources," measurement focus. Proprietary Fund type income statements represent increases and decreases in net total assets.

Basis of Accounting - The modified accrual basis of accounting is followed for Governmental, Expendable Trust, and Agency Funds. Under this basis of accounting, 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 fiscal year end. Revenue considered susceptible to accrual includes, but is not limited to, interest, tuition and state and federal grants. Property taxes measurable but neither available to finance the current fiscal year expenditures, nor intended to finance the current year expenditures are deferred revenue. Expenditures are recognized in the period in which the related fund liability is incurred, except interest on long-term debt which is recorded when due.

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

D. Budgetary Data

Budgetary Basis of Accounting - The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major difference between the budget basis and the GAAP basis are:

- (1) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- (2) Expenditures are recorded when encumbered, or paid in cash (budget), as opposed to when susceptible to accrual (GAAP).

The actual results of operations, compared to the final appropriation, for each fund type by expenditure function and revenue by source are presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual (non-GAAP Budgetary Basis). The reserve for encumbrances is carried forward as part of the budgetary authority for the next year and is included in the revised budget amounts shown in the budget to actual comparisons. The District is required by state statute to adopt an annual appropriated budget for all Governmental Fund types. The specific timetable is as follows:

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Data (Continued)

3. 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 District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year). Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation or alter the total function appropriations within a fund, or alter object appropriations within function must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds, other than Agency Funds, consistent with statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriation amounts. All supplemental appropriations were legally enacted by the Board.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function, and object level.

E. Encumbrances

Encumbrance accounting is utilized by District funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund types, encumbrances outstanding at fiscal year end appear on the combined balance sheet as a reserve of the fund balance on a GAAP Basis and for all funds as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance.

F. Cash 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 the School District's records. Each funds interest in the pool is presented as "equity in pooled cash and investments" on the combined balance sheet.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Investments (Continued)

During the current fiscal year, investments were limited to STAR Ohio, repurchase agreement, treasury notes, treasury bonds, no load money market mutual funds, commercial paper, and certificates of deposit.

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during the current fiscal year. 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 at year-end.

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 the current fiscal year amounted to \$226,561, which includes \$83,828 assigned from other School District Funds.

The School District has segregated bank accounts for monies held separate from the School District's central bank account. These interest bearing depository accounts are presented on the combined balance sheet as "equity in pooled cash and investments" since they are not required to be deposited into the School District Treasury.

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

G. Inventory (Materials and Supplies)

Inventories of the Proprietary Funds are valued at lower of cost (first-in, first-out method) or market and are determined by physical count. Inventories of Proprietary Funds consist of donated food, purchased food and school supplies held for resale and are expensed when used.

H. Fixed -Assets and Depreciation

1. 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. Donated fixed assets are recorded at their fair market values as of the date donated. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District does not possess any infrastructure. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of 5 years.
2. Proprietary Funds - Equipment reflected in the Proprietary Funds is stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

Building	30 - 50 years
Equipment	05 - 20 years
Building Improvements	10 - 40 years

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Intergovernmental Revenues

In Governmental Funds, entitlements and non-reimbursable grants are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations are recognized as revenue when measurable and earned.

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

Entitlements:

- General Fund
 - State Foundation Program
 - State Property Tax Relief
 - Telecommunication Subsidy Payment

Non-Reimbursement Grants:

- Special Revenue Funds
- Economic Education
- Career Development
- Adult Vocational Education
- Post-Secondary Vocation Education - Full Service Center
- Teacher Development Program - Block Grant
- Education Management Information System
- Adult Basic Literacy Education
- Adult Basic Education
- Dwight Eisenhower Professional Development Program Title II
- Vocational Education - Technical Preparation
- Vocational Education - Gender Equity Special Project
- Venture Capital

Intergovernmental Revenues:

- Vocational Education - Carl D. Perkins Title 11
- Vocational Education - Technical Assistant Grant
- Title VI Innovative Education
- School To Work Opportunities

Agency Funds:

- Ohio Industrial Training
- Federal Pell Grant

Reimbursable Grants:

- General Fund
 - Special Education Unit
- Capital Projects Funds
 - Vocational Education Equipment Reimbursement Grant
- Property Funds
 - Special Milk Program

Grants and entitlements amounted to approximately forty-three percent (46%) of all school District's operating revenue during the fiscal year.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

GASB Statement No. 16 specifies that compensated absences should be accrued as they are earned by employees if both of the following conditions are met:

1. The employee's right to receive compensation is attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payment.

For Governmental Funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the respective Governmental Fund. Amounts that are not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Obligations Account Group. Compensated absences of Proprietary Funds are recorded as an expense and liability of the respective Proprietary Fund.

K. Interfund Transactions

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

1. Routine transfers of resources from one fund to another fund through which resources to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and as a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds. The District had no advances to/from other funds at June 30, 1999.

L. 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 resources is reported as a fund liability of a Governmental Fund. The remaining portion of such obligations is reported in the General Long-Term Obligation Account Group.

Long-term liabilities expected to be financed from Proprietary Fund operations are accounted for in those funds.

M. Fund Equity

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances and property tax advances. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within specific purpose of those funds.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve, capital maintenance reserve, and a textbook reserve. The budget stabilization reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established in the amount of \$296,751 for the current fiscal year.

O. Estimates

The preparation of the 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 statements.

P. Memorandum Only - Total Columns

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

Q. Proprietary Fund Accounting

In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", the District applies all GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

Contributed capital represents resources from other funds, other governments, and private resources provided to proprietary funds that are not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. There was no change in contributed capital during the year.

R. Employee Benefits

1. Compensated Absences

The criteria for determining vacation and sick leave components are derived from board policy and State laws. Classified employees, the superintendent, treasurer, and director earn ten to twenty days of vacation per fiscal year, depending upon the 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 can earn sick leave at the rate of one and one-fourth days per month. Employees are allowed to accumulate sick leave to a maximum of 200 days. Upon retirement, payment is made for one-fourth of accrued of the total sick leave accumulation, with a maximum accumulation of 140 days.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Employee Benefits (Continued)

2. Health Care -and Life Insurance Benefits

The School District has elected to provide employee medical/surgical through the Logan County Health Insurance Consortium with Anthem Blue Cross/Blue Shield. The employees share the cost of the monthly premium with the Board. The premium varies with employees depending on board policy. School District employees also contribute to a flexible Health Benefit Spending Account for each employee, for medical: expenses and dependent care not covered by other health insurance.

3. EQUITY IN POOLED CASH AND INVESTMENT

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

Active Monies - Those monies that are required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive Monies - Those monies not required for use within the current two-year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Interim Monies - 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.

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

State legislation permits 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 any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

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

3. EQUITY IN POOLED CASH AND INVESTMENT (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and,
7. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time

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 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.

At year-end, the District had \$300 in undeposited cash on hand which is included on the balance sheet of the District as part of "equity in pooled cash and investments".

At year end the carrying amount of the District's deposits was \$1,179,659. The bank balance of deposits was \$1,243,204 and of the bank balance, \$312,927 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized as defined by GASB. Although the securities were held by the pledging financial institutions' trust department in the District's name and all statutory requirements for the investment of the money had been followed, noncompliance with the federal requirements would potentially subject the money held in the District's name to a successful claim by the FDIC.

The District's investments are categorized to give an indication of the level of risk assumed by the entity at year end.

CATEGORY 1 includes investments that are insured, registered, or held by the District or its agent in the District's name.

CATEGORY 2 includes uninsured and unregistered investments held by the counterparty's trust department or agent in the District's name.

CATEGORY 3 includes uninsured and unregistered investments held by the counterparty, or by its department or agent, but not in the District's name.

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

3. EQUITY IN POOLED CASH AND INVESTMENT (Continued)

Based on the above criteria, the District's investments at year end are classified as follows:

<u>INVESTMENTS</u>	<u>RISK CATEGORY</u>	<u>CARRYING VALUE/ FAIR VALUE</u>
Repurchase Agreement	Category 3	\$ 226,486
Commercial Paper	Category 3	248,135
No-Load Mutual Fund		49,257
U.S. Treasury Notes & Bonds	Category 3	918,764
(1) State Treasury Pool (Star Ohio)	N/A	<u>2,041,104</u>
		<u>\$3,483,746</u>

(1) The District's investment in the State Treasury Pool is not categorized by risk because it is not evidenced by securities that exist in physical or book entry form.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

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 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 as follows:

	Cash and Cash Equivalents <u>Deposits</u>	<u>Investments</u>
GASB Statement 9		
Investments of the Cash Management Pool:	\$ 4,663,705	\$ 0
Repurchase Agreement	(226,486)	226,486
No Load Mutual Fund	(49,257)	49,257
Treasury Notes & Bonds	(918,764)	918,764
Commercial Paper	(248,135)	248,135
State Treasurer's Investment Pool	(2,041,104)	<u>2,041,104</u>
Cash on Hand	<u>(300)</u>	
GASB Statement 3	<u>\$ 1,179,659</u>	<u>\$3,483,746</u>

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

4. PROPERTY TAXES

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 1999 were based, are as follows:

Tangible Personal	\$ 555,610,173
Public Utility and Real Estate	<u>1,540,005,800</u>
Total Assessed Property Value	<u>\$2,095,615,973</u>

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1, and are collected with real property taxes. Assessed values for property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment was due by January 20. If paid semi-annually, the first payment (at least one-half of amount billed) was due January 20, with the remainder due on June 20.

The County Auditor remits portions of the taxes collected with periodic settlements of Real and Public Utility property taxes in February and August and Tangible Personal Property Taxes in June and October to all taxing districts.

The District receives property taxes from the County Auditor. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999 are available to finance current fiscal year operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of the current year end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999 was \$194,445 and was recognized as revenue. The amount which was available for advance at June 30, 1998 was \$183,493.

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

5. FIXED ASSETS

A summary of the General Fixed Assets Account Group at year end follows:

<u>Class</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Land	\$ 441,538	\$ 0	\$ 0	\$ 441,538
Building	7,900,804	95,346	0	7,996,150
Equipment	3,570,704	187,423	1,169	3,756,958
Vehicles	<u>122,495</u>	<u>3,000</u>	<u>0</u>	<u>125,495</u>
Totals	<u>\$12,035,541</u>	<u>\$285,769</u>	<u>\$1,169</u>	<u>\$12,320,141</u>

A summary of the Proprietary Fund fixed assets at year end follows:

	<u>Enterprise</u>	<u>Internal Service</u>
Building	\$ 0	\$ 33,918
Equipment	171,358	34,329
Less Accumulated Depreciation	<u>(109,443)</u>	<u>(43,735)</u>
Net Fixed Assets	<u>\$ 61,915</u>	<u>\$ 24,512</u>

6. LONG-TERM DEBT

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

	<u>Balance Beginning of Year</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance End of Year</u>
Notes Payable	\$ 848,057	\$ 0	(\$ 92,198)	\$ 755,859
Capital Lease Obligations	59,339	0	(22,790)	36,549
Compensated Absences	<u>220,655</u>	<u>36,417</u>	<u>0</u>	<u>257,072</u>
TOTAL	<u>\$1,128,051</u>	<u>\$ 36,417</u>	<u>(\$114,988)</u>	<u>\$1,049,480</u>

Vocational Building Assistance Loan

On January 31, 1994, the School District issued unvoted general obligation notes for the purpose of constructing a building under the authority of House Bill 808. The notes were issued for a fifteen-year period with a final maturity during the fiscal year 2009. The loan will be retired from the debt service fund.

Energy Conservation Loan

On August 10, 1994, the School District issued unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The notes were issued for a ten-year period with a final maturity during the fiscal year 2004. The loan will be retired from the debt service fund.

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

6. LONG-TERM DEBT

Capital Leases

Capital leases will be paid from the General Fund and Adult Education Special Revenue Funds. (See Note 14)

Compensated Absences

Compensated Absences will be paid from the fund from which the employees' salaries are paid.

The following is a summary of the District's future annual debt service requirements to maturity for notes:

Fiscal Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	92,199	13,332	105,531
2001	92,199	11,110	103,309
2002	92,199	8,888	101,087
2003	92,199	6,666	98,865
2004-2009	<u>387,063</u>	<u>6,666</u>	<u>393,729</u>
Total	<u>\$755,859</u>	<u>\$46,662</u>	<u>\$802,521</u>

7. SEGMENT INFORMATION

Enterprise Funds - The District maintains three Enterprise Funds to account for the operations of Food Service, Uniform School Supply and Customer Service. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the current year end.

	<u>Food Services</u>	<u>Uniform School Supply</u>	<u>Customer Service Fund</u>	<u>Total</u>
Operating Revenue	\$166,921	\$48,103	\$41,731	\$256,755
Operating Expenses Before Depreciation	168,500	61,268	50,085	279,853
Depreciation	8,655	0	0	8,655
Operating Income (Loss)	(10,234)	(13,165)	(8,354)	(31,753)
Operating Grants	2,106	0	0	2,106
Donated Commodities	0	0	0	0
Net Income (Loss)	(8,128)	(13,165)	(8,354)	(29,647)
Net Working Capital	7,506	(12,304)	(43,760)	(48,558)
Total Assets	70,655	696	10,392	81,743
Total Liability	10,234	13,000	54,152	77,386
Total Equity	60,421	(12,304)	(43,760)	4,357

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

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That 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% of their annual covered salary and the District is required to contribute 14%; 7.7% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's contributions to SERS for the years ending June 30, 1999, 1998, and 1997 were \$121,493, \$120,133 and \$82,942 respectively.

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 administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 6% was the portion to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions to STRS for the years ending June 30, 1999, 1998 and 1997 were \$509,395, \$476,311, and \$496,945, respectively, equal to the required contributions for each year.

C. Post Employment Benefits

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the 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 \$295,449 during fiscal 1999.

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

8. DEFINED BENEFIT PENSION PLANS (Continued)

C. Post Employment Benefits (Continued)

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

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

For this fiscal year, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the members' pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level of \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$54,672 during the 1999 fiscal year.

9. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations and changes in fund balance 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 and disbursements. A reconciliation of the nature and amounts of the adjustments necessary to convert the GAAP financial statements to the budgetary basis follows:

Reconciliation of Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses From GAAP Basis to Budgetary Basis:

<u>Governmental Fund Types</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>
GAAP Basis	\$933,247	(\$41,478)	(\$107,759)	\$197,115
Net Adjustment for Revenue Accruals	562,388	704,521	0	(1,746)
Net Adjustment for Expenditure Accruals	(652,900)	(504,757)	0	5,938
Net Adjustments for Encumbrances	<u>(67,728)</u>	<u>(229,508)</u>	<u>0</u>	<u>(100,854)</u>
Budgetary Basis	<u>\$775,007</u>	<u>(\$ 71,222)</u>	<u>(\$107,759)</u>	<u>\$100,453</u>

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

10. COMPLIANCE AND ACCOUNTABILITY

Accountability - Fund Deficits

At June 30, 1999, the Internal Service Fund has a deficit fund balance of \$13,302, which was created by the implementation of GAAP. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

This deficit did not exist on the cash basis of accounting in accordance with Ohio Law, and will be funded by anticipated future revenues not recognized and recorded at June 30.

11. CONTINGENT LIABILITIES

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

12. JOINTLY GOVERNED ORGANIZATIONS

Western Ohio Computer Organization (WOCO)

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Hardin, Auglaize, Shelby, Logan, Miami and Champaign 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. Financial information can be obtained from Sonney Ivey, who serves as director, at 129 East Court Street, Sidney, Ohio 45365.

13. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year 1999, the School District contracted with the Nationwide Mutual Insurance Company for general liability insurance with a \$ 1,000,000 single occurrence limit and a \$5,000,000 aggregate. Buildings and business personal property is protected by the Cincinnati Insurance Company and has a \$500 deductible. In the event of an earthquake, a \$5,000 deductible applies. The School District insures electronic data processing equipment in the amount of \$400,000 and electronic data processing media in the amount of \$85,000 with extra expense in the amount of \$150,000 for labor costs to get the system back on line. The School District's deductible for electronic data processing is \$250.

The School District's vehicles are covered under a business policy with the Cincinnati Insurance Company which carries a \$500 deductible and a \$1,000,000 limit on any accident.

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

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

13. RISK MANAGEMENT (Continued)

The School District participates in the Ohio School Board Association Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. 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.

The School District participates in the Logan County Schools Benefit Plan Association (the Plan); a public entity shared risk pool consisting of one local school district, one joint vocational school district and the Logan County Educational Service Center. The School District pays monthly premiums to the Plan for employee medical benefits. The Plan is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

14. CAPITAL LEASES/LESSEE DISCLOSURE

The School District has entered into capitalization leases for equipment. Each lease meets the criteria of a capital lease as of defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999.

Fiscal Year Ending June 30	Payment Due
2000	25,411
2001	<u>12,706</u>
Total	38,117
Less: Amount Representing Interest	<u>(1,568)</u>
Present Value of Net Minimum Lease Payments	<u>\$36,549</u>

15. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school-funding program unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$1,898,610 of school foundation support for its general fund.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

15. STATE SCHOOL FUNDING DECISION (Continued)

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

As of the date of these financial statements, the School 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.

16. LITIGATION

There are currently no matters of litigation with the School District as defendant.

17. STATUTORY RESERVES

As stated in H.B.412 the District is required to maintain through reserves; one for textbooks; one for capital acquisitions; and one for budget stabilization. A reserve represents resources whose use is limited because of contractual or statutory restrictions.

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Balance, 7/1/99	0	0	\$39,503	\$ 39,503
Required Set Aside	102,899	102,899	51,450	257,248
Offset Credits	0	0	0	0
Qualifying Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Balance, 6/30/99	<u>\$102,899</u>	<u>\$102,899</u>	<u>\$90,953</u>	<u>\$296,751</u>

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

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity 's Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Special Milk Program	10.556	02-PU 98	706	706
	10.556	02-PU 99	1,679	1,679
Total Department of Agriculture			2,385	2,385
UNITED STATES DEPARTMENT OF LABOR				
<i>Passed Through Ohio Department of Education</i>				
School to Work Program	17.249	WK-BE 97	16,000	1,038
	17.249	WK-BE 98	157,928	163,258
Total			173,928	164,296
<i>Passed Through Lima City Schools:</i>				
School to Work Program	17.249	WK-BE	1,698	0
Total Department of Labor			175,626	164,296
UNITED STATES DEPARTMENT OF EDUCATION				
<i>Direct Programs:</i>				
Pell Grants	84.063		94,853	94,853
Telecommunications Act Grant - E Rate	84.XXX		1,840	1,840
Total			96,693	96,693
<i>Passed Through Ohio Department of Education</i>				
Adult and Community Education Program	84.002	AB-S1 98	39,888	56,833
	84.002	AB-S1 99	57,000	57,000
Total Adult and Community Education Program			96,888	113,833
Vocational Education - Basic Grants to State	84.048	20-C2 98	6,111	226
	84.048	20-C2 99	39,246	0
	84.048	20-A4 97	5,812	5,812
	84.048	20-A4 98	7,026	6,156
	84.048	20-A4 99	33,817	29,531
	84.048	20-C1 98	42,081	42,081
	84.048	20-C1 99	249,010	295,872
	84.048	20-A5 98	8,450	8,450
	84.048	20-A5 99	3,934	3,739
Total Vocational Education - Basic Grant			395,487	391,867
Technical Preparation Grant	84.243	3E-00 99	360	360
Goals 2000 Subsidy Grant	84.276	G2-S2 99	5,000	0
Eisenhower Professional Development Grant	84.281	MS-S1 98	0	140
	84.281	MS-S1 99	1,321	780
Total Eisenhower Professional Development Grant			1,321	920
Title VI, Innovative Education Program Strategies	84.298	C2-S1 98	1,912	0
	84.298	C2-S1 99	2,046	0
Total Title VI, Innovative Education Program Strategies			3,958	0
<i>Passed Through Clark State Community College</i>				
Vocational Education - Basic Grants to State	84.048	N/A	4,000	3,970
Technical Preparation Grant	84.243	N/A	0	3,000
	84.243	N/A	3,912	2,000
Total Technical Preparation Grant			3,912	5,000
<i>Passed Through Lima Technical College</i>				
Technical Preparation Grant	84.243	N/A	1,915	3,661
Total Department of Education			609,534	616,304
Total Federal Assistance			\$787,545	\$782,985

The notes to the schedule of federal awards expenditures is an integral part of this statement.

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

NOTE A: BASIS OF ACCOUNTING

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

NOTE B: FEDERAL E-RATE FUNDS

The Federal E-rate is paid directly to the telecommunications service provider. The School District has a matching requirement which was met by paying the portion of the invoice from the service provider not paid by the Federal government. Amounts for the E-rate are budgeted and appropriated.

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

Ohio Hi-Point Joint Vocational School District
Logan County
2280 State Route 540 East
Bellefontaine, Ohio 43311

To the Board of Education:

We have audited the financial statements of Ohio Hi-Point Joint Vocational School District, Logan County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 22, 2000, which was qualified due to a lack of adequate records for inventory and charges for services revenues in the Internal Service Fund. Except as described in the preceding sentence, 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, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-10246-001. We also noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated January 22, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-10246-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition above is a material weakness. We also noted others 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 22, 2000.

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

JIM PETRO
Auditor of State

January 22, 2000



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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**

Ohio Hi-Point Joint Vocational School District
Logan County
2280 State Route 540 East
Bellefontaine, Ohio 43311

To the Board of Education:

Compliance

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

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

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

Internal Control Over Compliance

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

Internal Control Over Compliance
(Continued)

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

JIM PETRO
Auditor of State

January 22, 2000

**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	Qualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(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 noncompliance at the financial statement level (GAGAS)?	Yes
(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):	CFDA# 84.002 - Adult Education - State Grant Program CFDA# 17.249 - School to Work Program
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

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

Finding Number	1999-10246-001
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Ohio Rev. Code Section 149.351(A) states all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under section 149.38 to 149.42 of the Ohio Rev. Code.

The following items were not available for inspection during the course of the audit:

1. Documentation to support cosmetology receipts of \$183.00.
2. Documentation to support warehouse receipts of \$16,600.12.

The lack of retaining required records could result in incorrect collection and posting of receipts, increased audit costs, or qualified opinions on financial statement reporting.

The District should implement procedures to ensure records are maintained. District departments should follow Board policy 8310 (public records) concerning the retainage of records generated and the manner in which they are to be maintained until they have been audited.

Finding Number	1999-10246-002
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Inventory Valuation

Generally accepted accounting principles require inventory to be stated at the lower of cost or market. The Internal Service Fund Type inventory records were not maintained in a manner to allow for the determination as to whether inventory had been valued at the lower of cost of market.

This circumstance did not allow for testing to sufficiently support the value of inventory stated at \$22,878 in the Combined Balance Sheet.

The District should have procedures in place to support the valuation of inventory at year-end. These procedures would include maintaining invoices of the most recent purchases along with evidence of year-end market values.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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OHIO HI-POINT JOINT VOCATIONAL SCHOOL DISTRICT

LOGAN 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
MARCH 21, 2000**