



**TWINSBURG CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**SINGLE AUDIT**

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



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

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**STATE OF OHIO**



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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW  
Fourth Floor  
Canton, Ohio 44702  
Telephone 330-438-0617  
800-443-9272  
Facsimile 330-471-0001  
www.auditor.state.oh.us

## REPORT OF INDEPENDENT ACCOUNTANTS

Twinsburg City School District  
Summit County  
11136 Ravenna Road  
Twinsburg, Ohio 44087-1022

To the Board of Education:

We have audited the accompanying general purpose financial statements of Twinsburg City School District, Summit 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 paragraph, 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.

Because of inadequate fixed asset accounting records, we were unable to obtain sufficient information regarding the amounts at which fixed assets are recorded in the General Fixed Asset Account Group and the amounts at which Enterprise Fund Type fixed assets, contributed capital and depreciation expense are recorded in the accompanying financial statements.

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had sufficient information been available as discussed in the preceding paragraph, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Twinsburg City School District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund 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 February 28, 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.

The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

**Jim Petro**  
Auditor of State

February 28, 2000

**TWINSBURG CITY SCHOOL DISTRICT**  
**SUMMIT COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 1999

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
<b>ASSETS AND OTHER DEBITS</b>										
<b>ASSETS:</b>										
Equity in pooled cash, cash equivalents and investments. . . . .	\$3,724,606	\$506,682	\$189,428	\$3,574,212	\$154,028	\$198,467	\$230,616			\$8,578,039
Equity in pooled cash and cash equivalents - nonexpendable trust fund . . . . .							16,921			16,921
Cash with fiscal agent . . . . .				148,103						148,103
Receivables (net of allowances of uncollectibles):										
Property taxes - current & delinquent . . . . .	18,262,081		2,206,809	1,586,745						22,055,635
Accounts . . . . .	5,213	641								5,854
Accrued interest. . . . .	88,484	446			1,195		954			91,079
Interfund loan receivable. . . . .	87,133									87,133
Due from other governments . . . . .		128,959			19,398					148,357
Due from other funds. . . . .						256,826				256,826
Materials and supplies inventory. . . . .	65,641				38,586					104,227
Restricted assets:										
Equity in pooled cash and cash equivalents . . . . .	644,332									644,332
Property, plant and equipment (net of accumulated depreciation where applicable). . . . .					659,579			\$68,888,866		69,548,445
<b>OTHER DEBITS:</b>										
Amount available in Debt Service Fund . . . . .									\$265,566	265,566
Amount to be provided for retirement of General Long-Term Obligations . . . . .									40,578,367	40,578,367
<b>Total assets and other debits. . . . .</b>	<b>\$22,877,490</b>	<b>\$636,728</b>	<b>\$2,396,237</b>	<b>\$5,309,060</b>	<b>\$872,786</b>	<b>\$455,293</b>	<b>\$248,491</b>	<b>\$68,888,866</b>	<b>\$40,843,933</b>	<b>\$142,528,884</b>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Continued

**TWINSBURG CITY SCHOOL DISTRICT**  
**SUMMIT COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 1999

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>										
<b>LIABILITIES:</b>										
Accounts payable . . . . .	\$101,859	\$5,378		\$15,757						\$122,994
Accrued wages and benefits . . . . .	2,157,104	11,341			\$59,257					2,227,702
Compensated absences payable . . . . .	22,630				30,778				\$1,175,463	1,228,871
Contracts payable . . . . .				2,231,929						2,231,929
Retainage payable . . . . .				148,103						148,103
Pension obligation payable . . . . .	347,552				15,487				220,247	583,286
Interfund loan payable . . . . .		87,133								87,133
Deferred revenue . . . . .	17,592,000		\$2,130,671	1,533,289	26,687					21,282,647
Due to students . . . . .							\$85,037			85,037
Due to other funds . . . . .	256,826									256,826
Claims payable . . . . .						\$336,084				336,084
General obligation bonds payable . . . . .									39,205,000	39,205,000
Retirement incentive payable . . . . .									150,000	150,000
Obligation under capital lease . . . . .									93,223	93,223
<b>Total liabilities . . . . .</b>	<b>20,477,971</b>	<b>103,852</b>	<b>2,130,671</b>	<b>3,929,078</b>	<b>132,209</b>	<b>336,084</b>	<b>85,037</b>		<b>40,843,933</b>	<b>68,038,835</b>
<b>EQUITY AND OTHER CREDITS:</b>										
Investment in general fixed assets . . . . .								\$68,888,866		68,888,866
Contributed capital . . . . .					1,053,361					1,053,361
Retained earnings: unreserved . . . . .						119,209				119,209
Accumulated deficit . . . . .					(312,784)					(312,784)
Fund balances:										
Reserved for encumbrances . . . . .	568,270	74,602		2,306,871						2,949,743
Reserved for supplies inventory . . . . .	65,641									65,641
Reserved for debt service . . . . .			189,428							189,428
Reserved for tax revenue unavailable for appropriation . . . . .	670,081		76,138	53,456						799,675
Reserved for principal endowment . . . . .							16,163			16,163
Reserved for instructional materials . . . . .	359,266									359,266
Reserved for budget stabilization . . . . .	285,066									285,066
Reserved for scholarships . . . . .							945			945
Unreserved:										
Designated for budget stabilization . . . . .	1,087,323									1,087,323
Unreserved-undesignated . . . . .	(636,128)	458,274		(980,345)			146,346			(1,011,853)
<b>Total equity and other credits . . . . .</b>	<b>2,399,519</b>	<b>532,876</b>	<b>265,566</b>	<b>1,379,982</b>	<b>740,577</b>	<b>119,209</b>	<b>163,454</b>	<b>68,888,866</b>		<b>74,490,049</b>
<b>Total liabilities, equity and other credits . . . . .</b>	<b>\$22,877,490</b>	<b>\$636,728</b>	<b>\$2,396,237</b>	<b>\$5,309,060</b>	<b>\$872,786</b>	<b>\$455,293</b>	<b>\$248,491</b>	<b>\$68,888,866</b>	<b>\$40,843,933</b>	<b>\$142,528,884</b>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT



**TWINSBURG CITY SCHOOL DISTRICT**  
**SUMMIT COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
 FOR THE YEAR ENDED JUNE 30, 1999

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
From local sources:						
Taxes . . . . .	\$18,780,995		\$2,646,517	\$1,402,393		\$22,829,905
Tuition . . . . .	147,508	\$165,615				313,123
Earnings on investments . . . . .	421,299	1,236		798,941	\$3,035	1,224,511
Revenue on behalf of district				4,239,292		4,239,292
Other local revenues . . . . .	64,196	104,283			81,480	249,959
Other revenue . . . . .	23,015	0				23,015
Intergovernmental - State . . . . .	2,582,958	193,763	115,132	205,858		3,097,711
Intergovernmental - Federal . . . . .		394,235				394,235
<b>Total revenue . . . . .</b>	<b>22,019,971</b>	<b>859,132</b>	<b>2,761,649</b>	<b>6,646,484</b>	<b>84,515</b>	<b>32,371,751</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular . . . . .	11,553,982	119,859			2,286	11,676,127
Special . . . . .	1,195,458	270,944				1,466,402
Vocational . . . . .	160,178					160,178
Support services:						
Pupil . . . . .	1,299,568	89,136		93,920		1,482,624
Instructional staff . . . . .	650,308	29,380				679,688
Board of Education . . . . .	193,219				8,150	201,369
Administration . . . . .	1,344,570	839			5,250	1,350,659
Fiscal . . . . .	548,306			599		548,905
Business . . . . .	254,397					254,397
Operations and maintenance . . . . .	2,743,723					2,743,723
Pupil transportation . . . . .	821,803			268,673		1,090,476
Central . . . . .	171,925			225,666		397,591
Community services . . . . .		27,337				27,337
Extracurricular activities . . . . .	509,751	118,840				628,591
Facilities services . . . . .				23,278,547		23,278,547
Debt service:						
Principal retirement . . . . .	25,689		1,120,000			1,145,689
Interest and fiscal charges . . . . .	13,587		2,383,756			2,397,343
<b>Total expenditures . . . . .</b>	<b>21,486,464</b>	<b>656,335</b>	<b>3,503,756</b>	<b>23,867,405</b>	<b>15,686</b>	<b>49,529,646</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	533,507	202,797	(742,107)	(17,220,921)	68,829	(17,157,895)
Other financing sources (uses):						
Operating transfers in . . . . .		3,000				3,000
Operating transfers out . . . . .	(3,000)					(3,000)
Proceeds from sale of assets . . . . .	1,000					1,000
<b>Total other financing sources (uses) . . . . .</b>	<b>(2,000)</b>	<b>3,000</b>				<b>1,000</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses . . . . .	531,507	205,797	(742,107)	(17,220,921)	68,829	(17,156,895)
Fund balance, July 1 . . . . .	1,866,699	327,079	1,007,673	18,600,903	77,517	21,879,871
Increase in reserve for inventory . . . . .	1,313					1,313
<b>Fund balance, June 30 . . . . .</b>	<b>\$2,399,519</b>	<b>\$532,876</b>	<b>\$265,566</b>	<b>\$1,379,982</b>	<b>\$146,346</b>	<b>\$4,724,289</b>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**TWINSBURG CITY SCHOOL DISTRICT**  
**SUMMIT COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30,1999

	General Fund			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>															
<b>From local sources:</b>															
Taxes.....	\$17,409,766	\$18,401,146	\$991,380				\$2,610,391	\$2,620,350	\$9,959	\$1,488,708	\$1,364,107	(\$124,601)	\$21,508,865	\$22,385,603	\$876,738
Tuition.....	140,702	148,714	8,012	\$195,098	\$165,690	(\$29,408)							335,800	314,404	(21,396)
Earnings on investments.....	314,884	332,815	17,931	1,079	916	(163)				998,094	914,556	(83,538)	1,314,057	1,248,287	(65,770)
Other local revenues.....	69,288	73,234	3,946	189,197	160,679	(28,518)							258,485	233,913	(24,572)
Other revenue .....	21,775	23,015	1,240							5,750,552	5,269,247	(481,305)	5,772,327	5,292,262	(480,065)
Intergovernmental - State.....	2,443,799	2,582,958	139,159	228,153	193,763	(34,390)	114,727	115,134	407	224,660	205,857	(18,803)	3,011,339	3,097,712	86,373
Intergovernmental - Federal.....				312,359	265,276	(47,083)							312,359	265,276	(47,083)
<b>Total revenues.....</b>	<b>20,400,214</b>	<b>21,561,882</b>	<b>1,161,668</b>	<b>925,886</b>	<b>786,324</b>	<b>(139,562)</b>	<b>2,725,118</b>	<b>2,735,484</b>	<b>10,366</b>	<b>8,462,014</b>	<b>7,753,767</b>	<b>(708,247)</b>	<b>32,513,232</b>	<b>32,837,457</b>	<b>324,225</b>
<b>Expenditures:</b>															
<b>Current:</b>															
<b>Instruction:</b>															
Regular.....	11,868,105	11,379,781	488,324	178,936	149,232	29,704							12,047,041	11,529,013	518,028
Special.....	1,459,223	1,174,566	284,657	408,985	308,480	100,505							1,868,208	1,483,046	385,162
Vocational.....	176,000	158,301	17,699							10,000	0	10,000	186,000	158,301	27,699
<b>Support services:</b>															
Pupil.....	1,296,252	1,258,245	38,007	154,758	101,238	53,520				99,955	93,919	6,036	1,550,965	1,453,402	97,563
Instructional staff.....	917,691	728,393	189,298	53,565	34,620	18,945							971,256	763,013	208,243
Board of Education.....	396,369	268,220	128,149										396,369	268,220	128,149
Administration.....	1,411,855	1,345,867	65,988	3,197	3,197	0							1,415,052	1,349,064	65,988
Fiscal.....	672,022	557,889	114,133							500	599	(99)	672,522	558,488	114,034
Business.....	350,418	259,288	91,130										350,418	259,288	91,130
Operations and maintenance.....	3,447,877	3,179,106	268,771										3,447,877	3,179,106	268,771
Pupil transportation.....	986,646	929,834	56,812							275,000	268,674	6,326	1,261,646	1,198,508	63,138
Central.....	206,197	177,217	28,980							245,186	232,821	12,365	451,383	410,038	41,345
Community services.....				33,303	58,744	(25,441)							33,303	58,744	(25,441)
Extracurricular activities.....	589,417	503,507	85,910	184,312	121,284	63,028							773,729	624,791	148,938
Facilities services.....										29,809,735	26,870,671	2,939,064	29,809,735	26,870,671	2,939,064
<b>Debt service:</b>															
Principal retirement.....							1,120,000	1,120,000	0				1,120,000	1,120,000	0
Interest and fiscal charges.....							2,455,463	2,383,756	71,707				2,455,463	2,383,756	71,707
<b>Total expenditures.....</b>	<b>23,778,072</b>	<b>21,920,214</b>	<b>1,857,858</b>	<b>1,017,056</b>	<b>776,795</b>	<b>240,261</b>	<b>3,575,463</b>	<b>3,503,756</b>	<b>71,707</b>	<b>30,440,376</b>	<b>27,466,684</b>	<b>2,973,692</b>	<b>58,810,967</b>	<b>53,667,449</b>	<b>5,143,518</b>
Excess (deficiency) of revenues over (under) expenditures.....	(3,377,858)	(358,332)	3,019,526	(91,170)	9,529	100,699	(850,345)	(768,272)	82,073	(21,978,362)	(19,712,917)	2,265,445	(26,297,735)	(20,829,992)	5,467,743
<b>Other financing sources (uses):</b>															
Refund of prior year's expenditures.....	1,878	1,985	107										1,878	1,985	107
Refund of prior year's (receipts).....	(5,000)	(3,737)	1,263										(5,000)	(3,737)	1,263
Operating transfers in.....				19,585	16,633	(2,952)				4,697	4,304	(393)	24,282	20,937	(3,345)
Operating transfers (out).....	(3,000)	(3,000)	0	(13,633)	(13,633)	0				(5,000)	(4,304)	696	(21,633)	(20,937)	696
Advances in.....	3,560	3,763	203	107,029	90,896	(16,133)							110,589	94,659	(15,930)
Advances (out).....	(90,896)	(90,896)	0	(3,763)	(3,763)	0							(94,659)	(94,659)	0
Proceeds of sale of fixed assets.....	946	1,000	54										946	1,000	54
<b>Total other financing sources (uses).....</b>	<b>92,512</b>	<b>(90,885)</b>	<b>1,627</b>	<b>109,218</b>	<b>90,133</b>	<b>(19,085)</b>				<b>(303)</b>	<b>0</b>	<b>303</b>	<b>16,403</b>	<b>(752)</b>	<b>(17,155)</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses).....	(3,285,346)	(449,217)	3,021,153	18,048	99,662	81,614	(850,345)	(768,272)	82,073	(21,978,665)	(19,712,917)	2,265,748	(26,281,332)	(20,830,744)	5,450,588
Fund balance, July 1.....	3,246,324	3,246,324	0	304,235	304,235	0	958,104	958,104	0	2,218,657	2,218,657	0	6,727,320	6,727,320	0
Prior year encumbrances appropriated.....	972,945	972,945	0	23,509	23,509	0				17,787,620	17,787,620	0	18,784,074	18,784,074	0
<b>Fund balance, June 30.....</b>	<b>\$933,923</b>	<b>\$3,770,052</b>	<b>\$3,021,153</b>	<b>\$345,792</b>	<b>\$427,406</b>	<b>\$81,614</b>	<b>\$107,759</b>	<b>\$189,832</b>	<b>\$82,073</b>	<b>(\$1,972,388)</b>	<b>\$293,360</b>	<b>\$2,265,748</b>	<b>(\$769,938)</b>	<b>4,680,650</b>	<b>5,450,588</b>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**TWINSBURG CITY SCHOOL DISTRICT**  
**SUMMIT COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN (ACCUMULATED DEFICIT)/RETAINED EARNINGS/ FUND BALANCE  
 ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND  
 FOR THE YEAR ENDED JUNE 30, 1999

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating revenues:				
Tuition and fees. . . . .	\$13,207			\$13,207
Sales/charges for services. . . . .	531,011	\$1,699,211		2,230,222
Investment earnings. . . . .			\$729	729
<b>Total operating revenues. . . . .</b>	<b>544,218</b>	<b>1,699,211</b>	<b>729</b>	<b>2,244,158</b>
Operating expenses:				
Personal services . . . . .	395,969			395,969
Contract services . . . . .	588	500,934	245	501,767
Materials and supplies. . . . .	337,528	5,362		342,890
Depreciation. . . . .	51,707			51,707
Other. . . . .		71,505		71,505
Claims expense . . . . .		1,537,317		1,537,317
<b>Total operating expenses. . . . .</b>	<b>785,792</b>	<b>2,115,118</b>	<b>245</b>	<b>2,901,155</b>
Operating income (loss) . . . . .	(241,574)	(415,907)	484	(656,997)
Nonoperating revenues:				
Operating grants. . . . .	153,075			153,075
Federal commodities . . . . .	62,311			62,311
Interest revenue . . . . .	2,593			2,593
<b>Total nonoperating revenues . . . . .</b>	<b>217,979</b>			<b>217,979</b>
Net income (loss) . . . . .	(23,595)	(415,907)	484	(439,018)
(Accumulated deficit)/retained earnings/fund balance July 1. . . . .	(289,189)	535,116	16,624	262,551
(Accumulated deficit)/retained earnings/fund balance June 30 . . . . .	(\$312,784)	\$119,209	\$17,108	(\$176,467)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**TWINSBURG CITY SCHOOL DISTRICT**  
**SUMMIT COUNTY, OHIO**  
 COMBINED STATEMENT OF CASH FLOWS  
 ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND  
 FOR THE YEAR ENDED JUNE 30, 1999

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Cash flows from operating activities:				
Cash received from tuition and fees . . . . .	\$13,207			\$13,207
Cash received from sales/service charges . . . . .	531,011	\$1,674,270		2,205,281
Cash payments for personal services . . . . .	(372,723)			(372,723)
Cash payments for contract services . . . . .	(588)	(500,934)	(\$245)	(501,767)
Cash payments supplies and materials . . . . .	(264,742)	(5,362)		(270,104)
Cash payments for claims expenses . . . . .		(1,524,704)		(1,524,704)
Cash payments for other expenses . . . . .		(71,505)		(71,505)
Net cash used in operating activities . . . . .	(93,835)	(428,235)	(245)	(522,315)
Cash flows from noncapital financing activities:				
Cash received from operating grants . . . . .	133,677			133,677
Net cash provided by noncapital financing activities . . . . .	133,677			133,677
Cash flows from capital and related financing activities:				
Acquisition of capital assets . . . . .	(1,905)			(1,905)
Net cash used in capital and related financing activities . . . . .	(1,905)			(1,905)
Cash flows from investing activities:				
Interest received . . . . .	1,398		542	1,940
Net cash provided by investing activities . . . . .	1,398		542	1,940
Net increase (decrease) in cash and cash equivalents . . . . .	39,335	(428,235)	297	(388,603)
Cash and cash equivalents at beginning of year . . . . .	114,693	626,702	16,624	758,019
Cash and cash equivalents at end of year . . . . .	<u>\$154,028</u>	<u>\$198,467</u>	<u>\$16,921</u>	<u>\$369,416</u>
Reconciliation of operating income (loss) to net cash used in operating activities:				
Operating income (loss) . . . . .	(\$241,574)	(\$415,907)	\$484	(\$656,997)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:				
Depreciation . . . . .	51,707			51,707
Federal donated commodities . . . . .	62,311			62,311
Interest reported as operating income . . . . .			(729)	(729)
Changes in assets and liabilities:				
Decrease in supplies inventory . . . . .	464			464
Increase in due from other funds . . . . .		(24,941)		(24,941)
Increase in accrued wages & benefits . . . . .	9,684			9,684
Increase in compensated absences payable . . . . .	10,363			10,363
Increase in pension obligation payable . . . . .	3,199			3,199
Increase in claims payable . . . . .		12,613		12,613
Increase in deferred revenue . . . . .	10,011			10,011
Net cash used in operating activities . . . . .	<u>(\$93,835)</u>	<u>(\$428,235)</u>	<u>(\$245)</u>	<u>(\$522,315)</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Twinsburg City School District (“District”) is located in Northeastern Summit County, roughly equidistant from Cleveland and Akron. The District includes all of the City of Twinsburg and portions of surrounding townships.

The District is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District ranks as the 133<sup>rd</sup> largest by enrollment among the 612 districts in the State. It currently operates 2 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 210 non-certified and 240 certified (including administrative) full-time and part-time employees to provide services to approximately 3,405 students in grades K through 12 and various community groups.

**NOTE 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. The Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity. The financial statements of the reporting entity include those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

***RELATED ORGANIZATION***

*Twinsburg Public Library* - The District is not involved in the budgeting process of operational management of the Library, nor does it subsidize or finance its operations. The selection of directors and approval of the annual budget by the District is conducted only to comply with statutory requirements.

***JOINTLY GOVERNED ORGANIZATIONS***

*Northeast Ohio Network for Educational Technology* - NEONET is a jointly governed organization among sixteen school districts and the Summit County Educational Service Center, that was formed July 1, 1995. NEONET was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member districts. The seven member board of directors consists of four superintendents, two members of the treasurers' committee and one member of the student services subcommittee. The degree of control exercised by any participating school district is limited to its representation on the assembly, which elects the board of directors, who exercises total control over the operation of NEONET including budgeting, appropriating, contracting and designating management. All revenues are generated from an annual fee of \$7.80 per student to participating districts and State funding. The Summit County Educational Service Center is the fiscal agent of NEONET. Financial information can be obtained by writing to the Summit County Educational Service Center, 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio, 44221.

*Cuyahoga Valley Career Center* - The vocational school district is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The school accepts non-tuition students from the District as a member school, however, it is considered a separate political subdivision and is not considered to be part of the District.

The District also participates in a group rating plan, discussed in Note 11.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**B. Fund Accounting**

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

*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 those accounted for in proprietary and nonexpendable funds) are accounted for through Governmental funds. The following are the District's Governmental Fund Types:

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

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

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

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*PROPRIETARY FUNDS*

Proprietary Funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's Proprietary Fund Types.

*Enterprise 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 costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (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 Funds* - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis.

*FIDUCIARY FUNDS*

*Trust and Agency Funds* - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust, Nonexpendable Trust, and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as Governmental funds. Nonexpendable Trust Funds are accounted for in essentially the same manner as Proprietary Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations; Agency Funds are therefore presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other fund types, would be subject to accrual.



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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*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 Funds.

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

**C. Measurement Focus/Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental funds and the Expendable Trust fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet.

Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All Proprietary funds and the Nonexpendable Trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The modified accrual basis of accounting is followed for Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 1999, and which are intended to finance fiscal 2000 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance (and recognized as revenue) but not received by the District prior to June 30, 1999, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) 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; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The Proprietary and Nonexpendable Trust funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**D. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 1999 is as follows:

1. Prior to January 15 of the preceding 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 Summit County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. 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 issued for fiscal year 1999.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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 is the legal level 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 total function appropriations within a fund, or alter object appropriations within functions 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 consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation, except as disclosed in note 3.
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 appropriated amounts. All supplemental appropriations were legally enacted by the Board; however, none of the amendments were significant.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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/or object level.

Encumbrance accounting is utilized with 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 year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting.

**E. 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" (both restricted and unrestricted) on the combined balance sheet.

During fiscal 1999, investments were limited to repurchase agreements 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 non-negotiable certificates of deposit are reported at cost.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Calculation of the Net Decrease in the Fair Value of Investments - Aggregate Method

Fair value at June 30, 1999	\$ 0
Add: Proceeds of investments matured in fiscal 1999	5,000,000
Less: Cost of investments purchased	0
Less: Fair value at June 30, 1998	<u>(5,027,342)</u>
 Change in fair value of investments	 <u>\$ (27,342)</u>

Under existing Ohio statutes all investment earnings are assigned to the General fund except for those specifically related to the Auxiliary Services fund, Building fund, and certain trust funds individually authorized by Board resolution. The following funds were credited with more interest revenue than would have been received based upon their share of the District's investments:

	<u>Interest Actually Received</u>	<u>Interest Based Upon Share of Investments</u>	<u>Interest Assigned From Other Funds</u>
General	\$421,299	\$293,248	\$128,051
<u>Capital Projects Fund</u>			
Building Fund	798,941	757,282	41,659

An analysis of the Treasurer's investment account at year end is provided in Note 4.

**F. Inventory**

Inventories for all Governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**G. Contributed Capital**

Contributed capital reported in the Enterprise funds represents resources from other funds, other governments, and private sources that is not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. Contributed capital did not change during fiscal 1999.

**H. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated 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 and a useful life of less than five years. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Assets Account Group. Interest on debt issued to construct general fixed assets is not capitalized in the account group.

2. Proprietary Funds

Equipment reflected in these funds are 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.

<u>Asset</u>	<u>Life (years)</u>
Buildings	25-50
Furniture, Fixtures and Minor Equipment	5-20

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**I. Intergovernmental Revenues**

In Governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) 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 District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program  
State Property Tax Relief

Special Revenue Funds

State Foundation Program

Debt Service Fund

State Property Tax Relief

Capital Projects Fund

State Property Tax Relief



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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Non-Reimbursable Grants*

Special Revenue Funds

Teacher Development  
Management Information Systems  
Title VI-B  
Title I  
Title VI  
Drug-Free School  
Preschool for the Handicapped  
Instructional Materials Subsidy

Capital Projects Funds

School Net

*Reimbursable Grants*

General Fund

School Bus Purchases  
Driver Education  
Vocational Education Travel/Salary

Capital Projects Fund

Vocational Education Equipment

Proprietary

National School Lunch Program  
National School Milk Program  
Adult Education

*Pass-Through Grants*

Special Revenue Funds

Auxiliary Services

Grants and entitlements amounted to over 9% of the District's operating revenue during the 1999 fiscal year.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service; or twenty (20) years' service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

In a prior year, the District established an Early Retirement Incentive program for employees who meet certain defined criteria, but are not otherwise eligible to retire.

The District expended no monies for this program during fiscal 1999, but expects to spend approximately \$150,000 for this program in fiscal 2000. Accordingly, a liability for this amount has been reported in the General Long-Term Obligations Account Group at June 30, 1999. Actual amounts paid for this program will be paid from the fund from which the employee is paid.

**K. Long-Term Obligations**

For 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.

**L. 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, materials and supplies inventory, debt service, budget stabilization, instructional materials and tax revenue unavailable for appropriation. In addition, although the Nonexpendable Trust fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment, and for available cash from which student scholarship awards will be made. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**M. 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. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources 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 made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 1999 is presented in Note 5.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**N. Statutory Reserves**

The District is required by State law to set-aside certain General fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside cash balance as of June 30, 1998	\$ 0	\$ 0	\$103,846	\$ 103,846
Current year set-aside requirement	362,441	362,441	181,220	906,102
Current year offsets	0	0	0	0
Qualifying disbursements	<u>(3,175)</u>	<u>(1,439,320)</u>	<u>0</u>	<u>(1,442,495)</u>
Total	<u>359,266</u>	<u>(1,076,879)</u>	<u>285,066</u>	<u>432,547</u>
Cash balance carried forward to FY 2000	<u>\$359,266</u>	<u>\$ 0</u>	<u>\$285,066</u>	<u>\$ 644,332</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts 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. The general fund balance includes \$1,087,323 that has been designated for amount of set-aside in excess of the requirement.

A schedule of the restricted assets at June 30, 1999 follows:

Amount restricted for budget stabilization	\$285,066
Amount restricted for instructional materials	<u>359,266</u>
Total restricted assets	<u>\$644,332</u>

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**O. Statement of Cash Flows**

In September 1989, the GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented a statement of cash flows for its Proprietary and Nonexpendable Trust funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

**P. Financial Reporting for Proprietary and Similar Fund Types**

The District's financial statements have been prepared 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 accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**Q. Parochial School**

Within the District boundaries, Saints Cosmas and Damian Elementary is operated through the Cleveland Catholic Diocese. Current state legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The receipt and expenditure of these state monies by the District are reflected in a Special Revenue fund for financial reporting purposes.

**R. Restricted Assets**

Certain assets of the General Fund are classified as restricted assets because their use is completely restricted by State legislation.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**S. 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.

**T. Memorandum Only - Total Columns**

Total columns on the General Purpose Financial Statements are captioned “Total (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 principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Legal Compliance**

Contrary to Ohio Rev. Code Section 5705.39, the following funds had total appropriations that exceeded total estimated resources.

<u>Fund Type / Fund</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Excess</u>
<u>Capital Project Fund</u> Permanent Improvement Fund	\$4,160,095	\$1,675,115	\$2,484,980
<u>Enterprise Fund</u> Food Service Fund	889,000	878,424	10,576

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Retained Earnings**

Retained earnings at June 30, 1999 included the following individual fund deficits:

	<u>Retained Earnings</u>
<u>Enterprise Funds</u>	
Food Service	\$(354,170)

This fund complied with Ohio statute, which does not permit a cash basis deficit at year-end. The GAAP deficits in each fund will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

**NOTE 4 - 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 withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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



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

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

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 moneys deposited with the institution.

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

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

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

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

7. 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; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

*Cash with Fiscal Agent:* At year end, \$148,103 was on deposit in the District's escrow account; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "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 \$464,292 and the bank balance was \$1,968,964 (both amounts include \$1,582,422 in non-negotiable certificates of deposit, but are exclusive of payroll clearance accounts). Of the bank balance:

1. \$202,543 was covered by federal deposit insurance; and
2. \$1,766,421 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

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

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

*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.

	<u>Category 3</u>	<u>Fair Value</u>
Repurchase Agreement	<u>\$8,775,000</u>	<u>\$8,775,000</u>
Total Investments	<u>\$8,775,000</u>	<u>\$8,775,000</u>

The classification of cash and cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled, 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 per GASB Statement No. 9 on the combined balance sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9 Investments of the Cash Management Pool:	\$ 9,387,395	
Repurchase Agreement	(8,775,000)	\$8,775,000
Cash with fiscal agent	<u>(148,103)</u>	<u>                    </u>
GASB Statement No. 3	<u>\$ 464,292</u>	<u>\$8,775,000</u>

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

**NOTE 5 - INTERFUND TRANSACTIONS**

A. The following is a summarized reconciliation of the District's operating transfers for fiscal year 1999:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund		\$(3,000)
<u>Special Revenue Funds</u>		
Public School Support	<u>\$3,000</u>	<u>          </u>
Totals	<u>\$3,000</u>	<u>\$(3,000)</u>

B. Interfund Loans Payable/Receivable

Interfund balances at June 30, 1999, consist of the following individual interfund loans receivable and payable:

	<u>Interfund Loans Receivable</u>	<u>Interfund Loans (Payable)</u>
General Fund	\$87,133	
<u>Special Revenue Funds</u>		
Title VI-B		\$(68,603)
Title I	<u>          </u>	<u>(18,530)</u>
Total Interfund Loans	<u>\$87,133</u>	<u>\$(87,133)</u>

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

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 1998 taxes were collected was \$624,356,148. Agricultural/Residential, public utility-minerals and public utility-real estate represented \$311,387,450 or 49.87% of this total; Commercial & Industrial real estate represented \$142,274,550 or 22.79%; public utility tangible \$20,839,740 or 3.34%; and general tangible property \$149,854,308 or 24.00%. The voted general tax rate for operations at the fiscal year ended June 30, 1999 was \$41.12 per \$1,000 of assessed valuation; the voted rate for debt service was \$3.50 per \$1,000 of assessed valuation; the voted rate for library debt service was \$.40 per \$1,000 of assessed valuation; and the voted rate for permanent improvements was \$2.75 per \$1,000 of assessed valuation.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

The County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

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

**NOTE 6 - PROPERTY TAXES - (Continued)**

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 1999 consisted of taxes, accounts (tuition and student fees), interest, and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current & Delinquent	\$18,262,081
Accrued Interest	88,484
 <u>Special Revenue Funds</u>	
Due From Other Governments	128,959
 <u>Debt Service Fund</u>	
Taxes - Current & Delinquent	2,206,809
 <u>Capital Projects Fund</u>	
Taxes - Current & Delinquent	1,586,745
 <u>Enterprise Funds</u>	
Due From Other Governments	19,398
 <u>Internal Service Funds</u>	
Due From Other Funds	256,826

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

**NOTE 8 - FIXED ASSETS**

The following changes occurred in the General Fixed Assets Account Group during the year:

	<u>Balance July 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 1999</u>
Land and Buildings	\$17,570,267	\$23,430,935		\$41,001,202
Furniture/ Equipment	3,057,860	1,106,535		4,164,395
Vehicles	1,939,591	268,673		2,208,264
Construction In Progress	<u>23,430,935</u>	<u>21,515,005</u>	<u>\$(23,430,935)</u>	<u>21,515,005</u>
Total	<u>\$45,998,653</u>	<u>\$46,321,148</u>	<u>\$(23,430,935)</u>	<u>\$68,888,866</u>

A summary of the Proprietary fixed assets at June 30, 1999 follows:

Buildings	\$ 777,678
Furniture Fixtures and Minor Equipment	<u>309,761</u>
Total	1,087,439
Less: Accumulated Depreciation	<u>(427,860)</u>
Net Fixed Assets	<u>\$ 659,579</u>

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

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In prior years the District had entered into capitalized leases for the acquisition of computers and copiers.

Each lease meets the criteria of a capital lease as defined by Statement No. 13 of the Financial Accounting Standards Board (FASB), Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Assets Account Group in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 1999 fiscal year totaled \$25,689. This amount is reflected as debt service principal retirement in the General fund.

The following is an analysis of equipment leased under capital leases as of June 30, 1999:

	<u>General Fixed Assets</u>
Furniture/Equipment	<u>\$418,730</u>
Carrying Value	<u>\$418,730</u>



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

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)**

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

General Long-Term Obligations	
<u>June 30 Year Ending</u>	<u>Total</u>
2000	\$ 39,276
2001	39,276
2002	30,223
2003	<u>2,450</u>
Total Future Minimum Lease Payments	111,225
Less: Amount Representing Interest	<u>(18,002)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 93,223</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

All current obligation bonds outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligation Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service fund. The source of payment is derived from a current 3.50 mill bonded debt tax levy for the District, and a .40 mill bonded debt tax levy for the Library.

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

**NOTE 10 - LONG-TERM DEBT - (Continued)**

A. On May 1, 1996 the District issued \$32,700,000 in general obligation bonds for the construction of a new high school. The District previously issued general obligation bonds on June 1, 1978 for renovation of the middle school, and on December 1, 1991 for elementary school renovation and construction of the Twinsburg Public Library.

B. The following is a description of the District bonds outstanding as of June 30, 1999:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Bonds Outstanding 7/01/98</u>	<u>Additions During 1999</u>	<u>Retired In Fiscal 1999</u>	<u>Bonds Outstanding 06/30/99</u>
Middle School Renovation	6.00%	6/01/78	12/1/98	\$ 80,000	\$ 0	\$ 80,000	\$ 0
Elementary School Renovations and Library Construction	6.34%	12/01/91	12/1/11	7,895,000		370,000	7,525,000
New High School	5.80%	5/01/96	12/1/21	<u>32,350,000</u>	_____	<u>670,000</u>	<u>31,680,000</u>
				<u>\$40,325,000</u>	<u>\$ 0</u>	<u>\$1,120,000</u>	<u>\$39,205,000</u>

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

**NOTE 10 - LONG-TERM DEBT - (Continued)**

C. The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds:

<u>Year Ending June 30</u>	<u>Principal on General Obligation Bonds</u>	<u>Interest on General Obligation Bonds</u>	<u>Total</u>
2000	\$ 1,090,000	\$ 2,293,145	\$ 3,383,145
2001	1,145,000	2,238,684	3,383,684
2002	1,205,000	2,172,423	3,377,423
2003	1,275,000	2,094,591	3,369,591
2004	1,360,000	2,012,153	3,372,153
2005-2009	8,195,000	8,607,399	16,802,399
2010-2014	9,155,000	5,874,013	15,029,013
2015-2019	9,010,000	3,380,610	12,390,610
2020-2022	<u>6,770,000</u>	<u>614,190</u>	<u>7,384,190</u>
Total	<u>\$39,205,000</u>	<u>\$29,287,208</u>	<u>\$68,492,208</u>

D. During the year ended June 30, 1999, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences, pension obligation, and early retirement incentive will ultimately be paid from the fund from which the employee is paid.

	<u>Balance July 1, 1998</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 1999</u>
Compensated Absences				
Sick Leave (severance)	\$ 991,070	\$136,724	\$ (26,735)	\$ 1,101,059
Vacation	53,575	76,302	(55,473)	74,404
Early Retirement Incentive	150,000			150,000
Pension Obligation Payable	176,713	220,247	(176,713)	220,247
General Obligation Bonds	40,325,000		(1,120,000)	39,205,000
Capital Lease	<u>118,912</u>		<u>(25,689)</u>	<u>93,223</u>
Total	<u>\$41,815,270</u>	<u>\$433,273</u>	<u>\$(1,404,610)</u>	<u>\$40,843,933</u>

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

**NOTE 10 - LONG-TERM DEBT - (Continued)**

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of a school district shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the district.

The effects of these debt limitations for the District at June 30, 1999 are a voted debt margin of \$17,252,619 (including available funds of \$265,566) and an unvoted debt margin of \$624,356.

**NOTE 11 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases traditional indemnity coverage from commercial carriers for property and casualty, vehicle, and liability insurance. Settled claims have not exceeded this commercial coverage in any of the past five years.

The District has established a Self-Insurance Fund (an internal service fund) to account for and finance its employee health benefits plan. Under this program, the Self-Insurance Fund provides coverage for up to an annual maximum of \$35,000 for each health benefits claim, capped at \$953,090 annually for all claims. The plan is administered by Benefit Services, Inc. The District purchases commercial insurance for claims in excess of coverage provided by the Fund. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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

**NOTE 11 - RISK MANAGEMENT - (Continued)**

All funds of the District participate in the program and make payments to the Self- Insurance Fund based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed cost (premiums for stop-loss coverage and medical conversion and administrative fees and services). The District's independent third-party administrator has actuarially determined that \$336,084 is a good and sufficient provision for all unmatured claim obligations (including both reported but unpaid claims and incurred but not reported claims, as well as an allowance for claim settlement expenses on the estimated unpaid claims) as of June 30, 1999.

The claims liability of \$336,084 reported in the Fund at June 30, 1999 is based on the provisions of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability for the past three and current fiscal year are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
1998	260,018	1,192,598	(1,129,145)	323,471
1999	323,471	1,860,788	(1,848,175)	336,084

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

**NOTE 11 - RISK MANAGEMENT - (Continued)**

The District, with assistance of actuarial analysis, establishes premium rates for medical, dental, and prescription drug insurance, based upon the specific plan negotiated with its employees. The District maintains "reserves" in the Self-Insurance Fund, which includes monies necessary to pay the "claims run-out", should the plan ever be discontinued. For the 1998-99 plan year, the District's reserves amounted to over \$100,000.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

*OSBA WORKER'S COMPENSATION GROUP RATING*

The District is a member of the OSBA Workers' Compensation Group Rating Program established in April 1991. The program was created by the Ohio School Boards Association as a result of the Workers' Compensation group rating plan as defined in 4123.29, Ohio Revised Code. The group rating plan allows school districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers.

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

**NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains three Enterprise funds to account for the operations of Food Services, Uniform School Supplies, and Adult Education. 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 year ended June 30, 1999.

	<u>Food Services</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total</u>
Operating Revenue	\$531,011	\$9,394	\$3,813	\$544,218
Depreciation	51,707			51,707
Operating Income (Loss)	(246,692)	1,311	3,807	(241,574)
Operating Grants	153,075			153,075
Net Income (Loss)	(28,713)	1,311	3,807	(23,595)
Net Working Capital	70,390	17,730	23,656	111,776
Total Assets	831,400	17,730	23,656	872,786
Long-Term Liabilities Payable from Fund Revenues	30,778			30,778
Total Liabilities	132,209			132,209
Total Fund Equity	699,191	17,730	23,656	740,577

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

**NOTE 13 - 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. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 1998; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$562,609, \$412,001, and \$377,419, respectively; 53 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$264,948, which represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.



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

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**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. The 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 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$1,462,201, \$1,547,486, and \$1,247,031, respectively; 82 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$259,236, which represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**C. Social Security System**

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

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

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations 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 are required to pay a portion of 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. Through June 30, 1998, the Board allocated employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1998, this allocation was increased to 8 percent. For the District, this amount equaled \$835,543 during the 1999 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.156 million at June 30, 1998. As of July 1, 1998, eligible benefit recipients totaled 91,999. For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000.

For SERS, coverage is made available to service retirees with ten or more fiscal 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.

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

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll, an increase from 4.21 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$246,457 during the 1999 fiscal year.

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

**NOTE 15 - 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.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

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

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

	<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>			
	Governmental Fund Types			
	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund
Budget Basis	\$(449,217)	\$ 99,662	\$(768,272)	\$(19,712,917)
Net Adjustment for Revenue Accruals	458,089	72,808	26,165	(1,107,283)
Net Adjustment for Expenditure Accruals	(192,171)	41,184		157,250
Net Adjustment for Other Financing Sources/(Uses)	88,885	(87,133)		
Adjustment for Encumbrances	<u>625,921</u>	<u>79,276</u>	<u>          </u>	<u>3,442,029</u>
GAAP Basis	<u>\$ 531,507</u>	<u>\$205,797</u>	<u>\$(742,107)</u>	<u>\$(17,220,921)</u>

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

**NOTE 16 - CONTINGENT LIABILITIES**

**A. 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. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 1999.

**B. Litigation**

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

**C. School Funding Decision**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$1,657,183 of school foundation support for its General fund.

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

**NOTE 16 - CONTINGENT LIABILITIES - (Continued)**

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. As of February 28, 2000, 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 District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

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

**NOTE 17- OUTSTANDING CONTRACTUAL COMMITMENTS**

At June 30, 1999, the District had the following outstanding contractual commitments:

<u>Purpose</u>	<u>Contractor</u>	<u>Amount</u>
Wilcox Primary School addition and renovation	C. T. Taylor Construction	\$1,334,676
	Ogrinc Mechanical	289,853
	R. B. Thomas Electrical	229,870
	Miller Plumbing	105,216
Bissell Elementary School addition	C. T. Taylor Construction	\$144,878



**TWINSBURG CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. Department of Education</b>						
Direct:						
Goals 2000 State and Local Education Systemic Improvement	84.276	050070-STW-99	<u>\$10,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<i>Passed Through Ohio Department of Education:</i>						
Title 1 Grants to Local Educational Agencies	84.010	050070-C1-S1-98	0	0	28,532	0
		050070-C1-S1-99	<u>159,522</u>	<u>0</u>	<u>159,522</u>	<u>0</u>
Total Title 1 Grants to Local Educational Agencies			159,522	0	188,054	0
Special Education Cluster:						
Special Education Grants to State	84.027	050070 6B-SF 98P	0	0	9,239	0
		050070 6B-SF 99P	<u>106,417</u>	<u>0</u>	<u>97,235</u>	<u>0</u>
Total Special Education Grants to State			106,417	0	106,474	0
Special Education Preschool Grants	84.173	050070 PG-S1 98P	0	0	1,325	0
		050070 PG-S1 99P	<u>20,280</u>	<u>0</u>	<u>17,194</u>	<u>0</u>
Total Special Education Preschool Grants			20,280	0	18,519	0
Total Special Education Cluster			126,697	0	124,993	0
Eisenhower Professional Development State Grants	84.281	050070-MS-S1-99	11,393	0	6,699	0
Innovative Assistance	84.151	050070-C2-S1-98	(6,766)	0	0	0
		050070-C2-S1-98C	<u>6,766</u>	<u>0</u>	<u>6,766</u>	<u>0</u>
Total Innovative Assistance			0	0	6,766	0
Innovative Education Program Strategies	84.298	050070-C2-S1-99	12,107	0	4,354	0
Safe and Drug-Free Schools and Communities State Grants	84.186	050070-DR-S1-98	(3,886)	0	935	0
		050070-DR-S1-98C	3,886	0	3,303	0
		050070-DR-S1-99	<u>16,129</u>	<u>0</u>	<u>9,935</u>	<u>0</u>
Total Safe and Drug-Free Schools and Communities State Grants			16,129	0	14,173	0
<i>Passed Through Summit County:</i>						
Technology Innovation Challenge Grants	84.303	N/A	7,526	0	12,288	0
		N/A	<u>12,797</u>	<u>0</u>	<u>1,467</u>	<u>0</u>
Total Technology Innovation Challenge Grants			20,323	0	13,755	0
<b>Total U.S. Department of Education</b>			346,171	0	358,794	0
<b>U.S. Department of Agriculture</b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
National School Lunch Program	10.555	N/A	127,328	0	127,328	0
Food Distribution	10.550	N/A	<u>0</u>	<u>73,805</u>	<u>0</u>	<u>64,883</u>
<b>Total U.S. Department of Agriculture - Child Nutrition Cluster</b>			<u>127,328</u>	<u>73,805</u>	<u>127,328</u>	<u>64,883</u>
<b>TOTALS</b>			<u>\$473,499</u>	<u>\$73,805</u>	<u>\$486,122</u>	<u>\$64,883</u>

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

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.

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STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

111 Second Street, NW  
Fourth Floor  
Canton, Ohio 44702  
Telephone 330-438-0617  
800-443-9272  
Facsimile 330-471-0001  
www.auditor.state.oh.us

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

Twinsburg City School District  
Summit County  
11136 Ravenna Road  
Twinsburg, Ohio 44087-1022

To the Board of Education:

We have audited the general purpose financial statements of Twinsburg City School District, Summit County, (the District) as of and for the year ended June 30, 1999, and have issued our qualified report thereon dated February 28, 2000. The report was qualified as we were unable to obtain sufficient information regarding the amount of reported fixed assets and related depreciation expense and contributed capital. Except as discussed 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 accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 1999-10977-001.

We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 28, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our 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 conditions are described in the accompanying Schedule of Findings as items 1999-10977-002 and 1999-10977-003.

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 consider item 1999-10977-002 to be a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 28, 2000.

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

**Jim Petro**  
Auditor of State

February 28, 2000



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW  
Fourth Floor  
Canton, Ohio 44702  
Telephone 330-438-0617  
800-443-9272  
Facsimile 330-471-0001  
www.auditor.state.oh.us

**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**

Twinsburg City School District  
Summit County  
11136 Ravenna Road  
Twinsburg, Ohio 44087-1022

To the Board of Education:

**Compliance**

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

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

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

**Internal Control Over Compliance**

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

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

We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 28, 2000.

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

**Jim Petro**  
Auditor of State

February 28, 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)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance 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):	Child Nutrition Cluster: National School Lunch Program CFDA #10.555, Food Distribution CFDA #10.550
(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**

**Noncompliance**

<b>Finding Number</b>	1999-10977-001
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Appropriations Exceeding Estimated Resources

Ohio Rev. Code Section 5705.39, provides that total appropriations from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The total appropriations exceeded the total estimated resources in the following funds:

<u>Fund Type/Fund</u>	<u>Appropriation</u>	<u>Estimated Revenue</u>	<u>Exceeded Amount</u>
Capital Project Fund/ Permanent Improvement Fund	\$4,160,095	\$1,675,115	\$2,484,980
Enterprise Fund/ Food Service Fund	\$889,000	\$878,424	\$10,576

The District had sufficient actual resources to finance appropriations. However, failure to comply with the requirements of Ohio Rev. Code Section 5705.39 could result in the overspending of funds and deficit fund balances. The District should monitor appropriations versus estimated resources to ensure this condition does not occur, as well as, obtaining amended certificates from the County Auditor prior to appropriating anticipated increased resources, to ensure appropriations do not exceed estimated resources.

**Material Weakness**

<b>Finding Number</b>	1999-10977-002
-----------------------	----------------

Fixed Assets

The following conditions were noted during our testing of fixed assets:

1. The total fixed asset balance within the District's "Fixed Asset Listing", excluding construction in progress, (total of \$22,018,407) did not agree with the beginning fixed asset balances recorded within the June 30, 1998, audited report (total of \$23,653,252), a difference of \$1,634,845.
2. According to the District's general fixed asset policy, the Superintendent shall develop administrative guidelines to ensure the proper purchase, transfer, and disposal of fixed assets. No such guidelines could be located.
3. Assets were moved from one building to another building without the use of transfer forms. In addition, the location of fixed assets as recorded on the District's "Fixed Asset Listing" was not always accurate.

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**

**JUNE 30, 1999**  
**(Continued)**

<b>Finding Number</b>	1999-10977-002 (continued)
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4. Assets were disposed which are still included within the District's "Fixed Asset Listing".
5. Assets are delivered to the school that ordered the asset. There are no procedures in place to ensure these assets are tagged at the time of delivery, or at a later time. In addition, assets located within the Board Office, did not include District tags.
6. The District does not track all expenditures related to construction-in-progress by project.
7. All expenditures within the 600 and 700 account codes are automatically recorded in a "Pending Information File" generated within the District's computerized accounting system. In the past, at the end of the year, fixed asset additions were identified through review of the "Pending Information File" by the Purchasing Agent. Due to the retirement of this person, no one performed this procedure for fiscal year 1999.
8. No procedures were in place to record or track depreciation on specific assets.
9. The District does not have policies and procedures to ensure that Enterprise Fund fixed assets acquired with Governmental Fund Type resources are identified and recorded as donated fixed assets of the Enterprise Fund. During the audit period significant construction projects occurred which were financed using Governmental Fund Type resources and included improvements/additions to be used exclusively for enterprise activities. The District had not identified what portions of projects were for enterprise operation nor what portion of project costs should be allocated to those improvements.
10. A physical fixed asset inventory was not performed at year end.

To help improve accountability over the fixed asset accounting system:

1. The District should establish procedures to ensure the "Fixed Asset Listing" is a complete and accurate account of the fixed assets owned and used by the District.
2. Administrative guidelines should be adopted as required by the District's policy.
3. All fixed assets that are removed from the location reported within the "Fixed Asset Listing" should be documented on "Fixed Asset Transfer Forms" with appropriate administrative approval. The "Fixed Asset Listing" should be updated timely using transfer form information. This will allow the District to know where the asset is located.
4. All assets disposed of should be removed from the "Fixed Asset Listing" at the value in which it was originally recorded. The District should establish a policy to ensure all property disposals are properly recorded in the property records. "Fixed Asset Disposal Forms" should be adopted and used to record all assets disposed of. These Forms should be approved by appropriate administrative personnel and include the description of the fixed asset, serial number/identification number, quantity, date of disposal, the tag number, and method of disposition. These Forms and any records relating to the disposal of an asset should be maintained.
5. The District should develop a system to ensure all assets are tagged and recorded as a fixed asset immediately upon delivery. All existing fixed assets should be tagged for inventory purposes.

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**

**JUNE 30, 1999**  
**(Continued)**

<b>Finding Number</b>	1999-10977-002 (continued)
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6. Procedures should be established and adopted to track construction in progress (CIP). All costs associated with the project should be included in the CIP total. In addition, the total cost of the construction should be tracked by project and contractor for inclusion in the District's fixed asset tracking system. Information included in the CIP should be project identification, cost, fund, project start date, and source of construction funds.
7. The District should assign an employee who will be responsible for fixed assets, that understands not only the importance of tracking the fixed assets, but who is familiar with the expenditure items. This person should also be responsible for ensuring the tag numbers are attached to the asset and updating the "Fixed Asset Listing".
8. The District should adopt procedures to track depreciation expense and accumulated depreciation for depreciable assets.
9. The District should establish policies and procedures to ensure that Enterprise Fund fixed assets acquired with Governmental Fund Type resources are identified and recorded as donated fixed assets and contributed capital in the Enterprise Fund. The District should review project plans and costs and determine the amount of fixed asset additions and contributed capital associated with the new high school project.
10. A physical fixed asset inventory should be completed periodically. The annual inventory of the District's fixed assets should be performed by someone other than the custodian of the assets. This will provide proper protection and accountability over the District's fixed assets. The District should correspond with the various departments/schools, asking them to identify fixed asset purchases in the areas under their control.

Failure to implement the above procedures can increase the chances of assets being misappropriated.

**Reportable Condition**

<b>Finding Number</b>	1999-10977-003
-----------------------	----------------

Overriding Computer System

Throughout the audit period, the Treasurer overrode the computer system to issue warrants for various expenditures as evidenced in the examples below. These transactions were processed although the computer system would prompt the user that the fund/cost center would exceed the budgeted amount and/or exceed the cash balance at the fund/cost center.

1. Within the 002-9596 Bond Retirement 95-96 Issue Fund/Cost Center, a \$915,885 memo check dated June 1, 1999 was issued (although the fund/cost center only reported a balance of \$811,174) resulting in a negative fund/cost center balance of \$104,711.

In addition, within the 002-9100 Bond Retirement-Library 1991 Fund/Cost Center, a \$63,568 memo check dated December 1, 1998 was issued (although the fund/cost center only reported a balance of \$44,026) resulting in a negative fund/cost center balance of \$19,542.

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**

**JUNE 30, 1999**  
**(Continued)**

<b>Finding Number</b>	1999-10977-003 (continued)
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- 2. Within the 007-9002 Superintendent's Special Fund/Cost Center, a \$2,286 check dated June 17, 1999 was issued (although the fund/cost center only reflected a balance of \$214) resulting in a negative fund/cost center balance of \$2,072. The check was written from the wrong 007 Cost Center. A correction was made at year end when the Treasurer realized the fund/cost center reported a negative fund balance.
  
- 3. Within the 599-9898 Challenge Grant Fund/Cost Center, a \$4,740 check dated September 18, 1998 was issued (although the fund/cost center only reflected a balance of \$2,254) resulting in a negative fund/cost center balance of \$2,486. Similar transactions were noted within the Title VI Grant and the Title 1 Grant funds. At fiscal year end, the Treasurer posted correcting entries for a portion of the expenditures.

Although cost centers are not considered individual funds, and the transactions noted above did not result in negative fund cash balances, the District does use cost centers to account for activities related to separate grant and debt agreements. These cost centers help ensure compliance with requirements of individual agreements. Negative cost center balances is an indication that money from one cost center has been used for the expenditures of another cost center. Overriding computer system controls increases the possibility that moneys received for restricted purposes will not be spent in accordance with the restrictions, and could result in negative cash balances in individual funds. The District should discontinue the practice of overriding computer system controls, and consider the use of cash advances as a means of meeting short-term cash flow needs in individual cost centers.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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None

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**TWINSBURG CITY SCHOOL DISTRICT  
SUMMIT COUNTY  
JUNE 30, 1999**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
AND FINDINGS RELATED TO THE FINANANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
1998-10977-001	Ohio Rev. Code Section 5705.41 (B), expenditures exceeded appropriations at year end.	Yes	The District has implemented procedures to correct this finding.
1998-10977-002	Nutrition Cluster Program internal control weakness	Yes	The District has implemented procedures to correct this finding.







STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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

**TWINSBURG CITY SCHOOL DISTRICT**

**SUMMIT 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  
APRIL 4, 2000**