



**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

35 North Fourth Street, 2nd Flr.
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Zane Trace Local School District
Ross County
946 State Route 180
Chillicothe, Ohio 45601

To the Board of Education:

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

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

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

As described in Note 3 of the accompany noted to the financial statements, the District implemented Government Accounting Standards Board Statement number 32, "*Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*".

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2000 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

JIM PETRO
Auditor of State

October 18, 2000

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

	<u>Governmental Fund Types</u>				<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
Assets and Other Debits:									
Assets:									
Equity in Pooled Cash and Cash Equivalents	\$2,208,733	\$480,379	\$390,974	\$3,259,017	\$2,860	\$11,951	\$0	\$0	\$6,353,914
Cash and Cash Equivalents in Segregated Accounts	0	0	0	269,391	0	0	0	0	269,391
Cash and Cash Equivalents held with Fiscal Agent					6,563				6,563
Receivables:									
Taxes	2,797,197	56,163	550,404	0	0	0	0	0	3,403,764
Intergovernmental	0	298	0	0	0	0	0	0	298
Accrued Interest	6,947	0	0	0	0	0	0	0	6,947
Income Tax	236,955	0	0	0	0	0	0	0	236,955
Prepaid Items	5,326	281	0	0	0	0	0	0	5,607
Due from Other Governemnts					35,230				35,230
Materials and Supplies Inventory	29,530	2,543	0	0	0	0	0	0	32,073
Restricted Assets:									
Equity in Pooled Cash and Cash Equivalents	30,125	0	0	0	0	0	0	0	30,125
Investment in General Fixed Assets	0	0	0	0	0	0	12,011,554	0	12,011,554
Other Debits:									
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0	0	0	0	421,447	421,447
Amount to be Provided from General Government Resources	0	0	0	0	0	0	0	5,385,476	5,385,476
Total Assets and Other Debits	<u>\$5,314,813</u>	<u>\$539,664</u>	<u>\$941,378</u>	<u>\$3,528,408</u>	<u>\$44,653</u>	<u>\$11,951</u>	<u>\$12,011,554</u>	<u>\$5,806,923</u>	<u>\$28,199,344</u>

(continued)

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999
(Continued)**

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
Liabilities, Fund Equity and Other Credits:									
Liabilities:									
Accounts Payable	\$64,774	\$18,101	\$0	\$0	\$0	\$1,805	\$0	\$0	\$84,680
Contracts Payable	0	0	0	602,419	0	0	0	0	602,419
Accrued Wages and Benefits	468,679	34,098	0	0	0	0	0	0	502,777
Compensated Absences Payable	7,262	0	0	0	0	0	0	406,096	413,358
Retainage Payable	0	0	0	269,391	0	0	0	0	269,391
Intergovernmental Payable	114,763	10,546	0	0	0	0	0	64,675	189,984
Deferred Revenue	2,656,872	53,054	519,931	0	0	0	0	0	3,229,857
Undistributed Monies	0	0	0	0	0	10,146	0	0	10,146
Claims Payable	0	0	0	0	116,067	0	0	0	116,067
Capital Leases Payable	0	0	0	0	0	0	0	56,152	56,152
General Obligation Bonds Payable	0	0	0	0	0	0	0	5,280,000	5,280,000
Total Liabilities	3,312,350	115,799	519,931	871,810	116,067	11,951	0	5,806,923	10,754,831
Fund Equity and Other Credits:									
Investment in General Fixed Assets	0	0	0	0	0	0	12,011,554	0	12,011,554
Retained Earnings:									
Unreserved (Deficit)	0	0	0	0	(71,414)	0	0	0	(71,414)
Fund Balance:									
Reserved for Encumbrances	190,091	55,994	0	2,047,059	0	0	0	0	2,293,144
Reserved for Inventory	29,530	2,543	0	0	0	0	0	0	32,073
Reserved for Budget Stabilization	30,125	0	0	0	0	0	0	0	30,125
Reserved for Property Taxes	140,325	3,109	30,473	0	0	0	0	0	173,907
Unreserved:									
Undesignated	1,612,392	362,219	390,974	609,539	0	0	0	0	2,975,124
Total Fund Equity (Deficit) and Other Credits	2,002,463	423,865	421,447	2,656,598	(71,414)	0	12,011,554	0	17,444,513
Total Liabilities, Fund Equity and Other Credits	\$5,314,813	\$539,664	\$941,378	\$3,528,408	\$44,653	\$11,951	\$12,011,554	\$5,806,923	\$28,199,344

See accompanying notes to the general purpose financial statements

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
JUNE 30, 1999**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Revenues:					
Property Taxes	\$2,344,190	\$46,319	\$486,224	\$0	\$2,876,733
Income Tax	614,433	0	0	0	614,433
Intergovernmental	4,006,418	398,372	108,991	5,066,902	9,580,683
Interest	188,915	0	0	57,513	246,428
Tuition and Fees	53,370	239,937	0	0	293,307
Extracurricular Activities	40,920	196,949	0	0	237,869
Gifts and Donations	0	16,288	0	0	16,288
Miscellaneous	29,206	31,840	0	268,000	329,046
Total Revenues	<u>7,277,452</u>	<u>929,705</u>	<u>595,215</u>	<u>5,392,415</u>	<u>14,194,787</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,800,548	33,516	0	0	2,834,064
Special	351,470	196,113	0	0	547,583
Vocational	7,878	0	0	0	7,878
Other	316,514	0	0	0	316,514
Support Services:					
Pupils	206,962	9,549	0	0	216,511
Instructional Staff	192,752	0	0	0	192,752
Board of Education	49,790	0	0	0	49,790
Administration	488,022	38,404	0	0	526,426
Fiscal	184,793	11,174	1,118	0	197,085
Operation and Maintenance of Plant	1,079,071	11,000	0	0	1,090,071
Pupil Transportation	792,741	0	0	0	792,741
Central	40,215	17,045	0	88,935	146,195
Operation of Non-Instructional Services					
Extracurricular Activities	0	300,837	0	0	300,837
Capital Outlay	125,968	166,395	0	0	292,363
Debt Service:	35,979	0	0	7,056,468	7,092,447
Principal Retirement	12,295	0	210,000	0	222,295
Interest and Fiscal Charges	2,033	0	314,505	0	316,538
Total Expenditures	<u>6,687,031</u>	<u>784,033</u>	<u>525,623</u>	<u>7,145,403</u>	<u>15,142,090</u>
Excess of Revenues Over (Under) Expenditures	590,421	145,672	69,592	(1,752,988)	(947,303)
Other Financing Sources:					
Inception of Capital Lease	35,979	0	0	0	35,979
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	626,400	145,672	69,592	(1,752,988)	(911,324)
Fund Balances at Beginning of Year - Restated (Note 3)	1,376,425	281,573	351,855	4,409,586	6,419,439
Decrease in Reserve for Inventory	(362)	(3,380)	0	0	(3,742)
Fund Balances at End of Year	<u>\$2,002,463</u>	<u>\$423,865</u>	<u>\$421,447</u>	<u>\$2,656,598</u>	<u>\$5,504,373</u>

See accompanying notes to the general purpose financial statements

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES
JUNE 30, 1999**

	General Fund			Special Revenue Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$2,328,318	\$2,342,331	\$14,013	\$46,180	\$46,197	\$17
Income Tax	157,349	615,560	458,211	0	0	0
Intergovernmental	3,101,315	4,006,418	905,103	398,074	398,074	0
Interest	15,000	189,651	174,651	0	0	0
Tuition and Fees	65,000	53,370	(11,630)	0	0	0
Extracurricular Activities	8,000	40,920	32,920	196,949	196,949	0
Gifts and Donations	0	0	0	16,287	16,287	0
Miscellaneous	1,000	27,615	26,615	31,840	31,840	0
Total Revenues	5,675,982	7,275,865	1,599,883	689,330	689,347	17
Expenditures:						
Current:						
Instruction:						
Regular	2,839,387	2,833,480	5,907	38,925	33,604	5,321
Special	356,797	356,795	2	234,805	201,023	33,782
Vocational	7,879	7,878	1	0	0	0
Other	334,523	334,522	1	0	0	0
Support Services:						
Pupils	210,978	210,975	3	9,598	9,558	40
Instructional Staff	203,713	203,710	3	0	0	0
Board of Education	51,516	51,515	1	0	0	0
Administration	564,862	561,116	3,746	37,732	37,403	329
Fiscal	188,712	187,569	1,143	11,830	11,239	591
Operation and Maintenance of Plant	1,151,561	1,151,544	17	11,000	11,000	0
Pupil Transportation	814,495	814,492	3	0	0	0
Central	49,572	49,423	149	17,045	17,045	0
Operation of Non-Instructional Services	0	0	0	371,785	345,262	26,523
Extracurricular Activities	120,175	120,084	91	175,412	173,408	2,004
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	6,894,170	6,883,103	11,067	908,132	839,542	68,590
Excess of Revenues Over (Under) Expenditures	(1,218,188)	392,762	1,610,950	(218,802)	(150,195)	68,607
Other Financing Sources (Uses):						
Refund of Prior Year Expenditures	0	1,591	1,591	0	0	0
Other Financing Sources	0	0	0	239,937	239,937	0
Operating Transfers - In	294,381	324,505	30,124	15,088	15,088	0
Operating Transfers - Out	(324,505)	(324,505)	0	(15,088)	(15,088)	0
Total Other Financing Sources (Uses)	(30,124)	1,591	31,715	239,937	239,937	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,248,312)	394,353	1,642,665	21,135	89,742	68,607
Fund Balances at Beginning of Year	1,088,260	1,088,260	0	314,597	314,597	0
Prior Year Encumbrances Appropriated	523,114	523,114	0	5,172	5,172	0
Fund Balances at End of Year	\$363,062	\$2,005,727	\$1,642,665	\$340,904	\$409,511	\$68,607

See accompanying notes to the general purpose financial statements

(Continued)

Debt Service Fund			Capital Projects Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$488,320	\$489,202	\$882	\$49,000	\$0	(49,000)	\$2,911,818	\$2,877,730	(34,088)
0	0	0	0	0	0	157,349	615,560	458,211
108,991	108,991	0	5,343,415	5,066,902	(276,513)	8,951,795	9,580,385	628,590
0	0	0	0	57,513	57,513	15,000	247,164	232,164
0	0	0	0	0	0	65,000	53,370	(11,630)
0	0	0	0	0	0	204,949	237,869	32,920
0	0	0	0	0	0	16,287	16,287	0
0	0	0	0	268,000	268,000	32,840	327,455	294,615
597,311	598,193	882	5,392,415	5,392,415	0	12,355,038	13,955,820	1,600,782
0	0	0	0	0	0	2,878,312	2,867,084	11,228
0	0	0	0	0	0	591,602	557,818	33,784
0	0	0	0	0	0	7,879	7,878	1
0	0	0	0	0	0	334,523	334,522	1
0	0	0	0	0	0	220,576	220,533	43
0	0	0	0	0	0	203,713	203,710	3
0	0	0	0	0	0	51,516	51,515	1
0	0	0	0	0	0	602,594	598,519	4,075
2,991	1,118	1,873	200	0	200	203,733	199,926	3,807
0	0	0	0	0	0	1,162,561	1,162,544	17
0	0	0	0	0	0	814,495	814,492	3
0	0	0	107,993	107,524	469	174,610	173,992	618
0	0	0	0	0	0	371,785	345,262	26,523
0	0	0	0	0	0	295,587	293,492	2,095
0	0	0	9,162,811	9,000,458	162,353	9,162,811	9,000,458	162,353
210,000	210,000	0	0	0	0	210,000	210,000	0
314,505	314,505	0	0	0	0	314,505	314,505	0
527,496	525,623	1,873	9,271,004	9,107,982	163,022	17,600,802	17,356,250	244,552
69,815	72,570	2,755	(3,878,589)	(3,715,567)	163,022	(5,245,764)	(3,400,430)	1,845,334
0	0	0	0	0	0	0	1,591	1,591
0	0	0	0	0	0	239,937	239,937	0
0	0	0	0	0	0	309,469	339,593	30,124
0	0	0	0	0	0	(339,593)	(339,593)	0
0	0	0	0	0	0	209,813	241,528	31,715
69,815	72,570	2,755	(3,878,589)	(3,715,567)	163,022	(5,035,951)	(3,158,902)	1,877,049
318,404	318,404	0	4,745,703	4,745,703	0	6,466,964	6,466,964	0
0	0	0	28,106	28,106	0	556,392	556,392	0
<u>\$388,219</u>	<u>\$390,974</u>	<u>\$2,755</u>	<u>\$895,220</u>	<u>\$1,058,242</u>	<u>\$163,022</u>	<u>\$1,987,405</u>	<u>\$3,864,454</u>	<u>\$1,877,049</u>

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
INTERNAL SERVICE FUND
JUNE 30, 1999**

	<u>Self-Insurance</u>
Operating Revenues:	
Charges for Services	<u>\$570,566</u>
Operating Expenses:	
Purchased Services	4,225
Claims	<u>562,016</u>
Total Operating Expenses	<u>566,241</u>
Operating Income /Loss	4,325
Non-Operating Revenues:	
Interest Earnings	<u>5,748</u>
Net Income (Loss)	10,073
Retained Earnings at Beginning of Year - Restated (Note 3)	<u>(81,487)</u>
Retained Earnings (Deficit) at End of Year	<u><u>(\$71,414)</u></u>

See accompanying notes to the general purpose financial statements

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
INTERNAL SERVICE FUND
JUNE 30, 1999**

	SELF-INSURANCE		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Charges for Services	\$570,566	\$570,566	\$0
Interest Earnings		5,748	\$5,748
	570,566	576,314	5,748
Expenses:			
Fringe Benefits	450,174	450,174	0
Excess of Revenues Under Expenses	120,392	126,140	0
Fund Equity at Beginning of Year	7,952	7,952	0
Prior Year Encumbrances Appropriated	2,199	2,199	0
Fund Equity at End of Year	\$130,543	\$136,291	\$5,748

See accompanying notes to the general purpose financial statements

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
	<u>Self-Insurance</u>
Cash Received from Quasi-External Transactions with Other Funds	\$570,566
Cash Payments to Suppliers for Goods and Services	(4,225)
Cash Payments for Claims	<u>(572,816)</u>
Net Cash Used for Operating Activities	(6,475)
Cash Flows from Investing Activities:	
Interest Earnings	<u>5,748</u>
Net Increase in Cash and Cash Equivalents	(727)
Cash and Cash Equivalents at Beginning of Year	<u>10,150</u>
Cash and Cash Equivalents at End of Year	<u><u>\$9,423</u></u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Income	\$4,325
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Changes in Assets and Liabilities:	
Increase in Prepaid Premiums	35,230
Decrease in Intergovernmental Payables	(89,289)
Increase in Claims Payable	43,259
Total Adjustments	<u>(10,800)</u>
Net Cash Used for Operating Activities	<u><u>(6,475)</u></u>

See accompanying notes to the general purpose financial statements

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1965 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 104 square miles. It is located in Ross County, and includes all of the Village of Kingston and portions of Green North, Green South, Springfield, and Colerain Townships. The School District is the 348th largest in the State of Ohio (among 611 school districts). It is staffed by 38 non-certificated employees, 78 certificated full-time teaching personnel and 4 administrative employees who provide services to 1,541 students and other community members. The School District currently operates 3 instructional buildings.

Reporting Entity:

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

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

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

Parent Teacher Organization
Ross County Educational Service Center
Village of Kingston

The School District is associated with six organizations, four of which are defined as jointly governed organizations, one as a claims servicing pool, and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association, Pickaway-Ross County Joint Vocational School, Great Seal Education Network of Tomorrow, the Coalition of Rural and Appalachian Schools, the Ross County School Employees Insurance Consortium, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 to the general purpose financial statements.

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

The following are the School District's governmental fund types:

General Fund

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

Special Revenue Funds

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

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds

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

Proprietary Fund Type:

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

Internal Service Fund

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

Fiduciary Fund Types:

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

Account Groups:

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

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary fund.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary fund.

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District had no contributed capital. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

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

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

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

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

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

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

Tax Budget:

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

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

Estimated Resources:

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

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District.

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Appropriations (Continued)

The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, supplemental appropriations were legally enacted; however, none were significant.

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

Encumbrances:

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

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

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

Cash and Cash Equivalents with Fiscal and Escrow Agent in the Internal Service Fund represent monies remaining on deposit with the Ross County Employees Insurance Consortium at June 30, 1999, which is available to fund future claims.

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents (Continued)

Retainage accounts held until the completion of major construction projects have been held in separate bank accounts. Retainage accounts held at June 30, 1999 is presented as "Cash and Cash Equivalents with Fiscal and Escrow Agents" on the balance sheet in the Capital Projects Fund.

During fiscal year 1999, investments were limited to Certificates of Deposit. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$188,915, which includes \$64,696 assigned from other School District funds. The capital projects funds also received interest revenue of \$57,513.

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

E. Inventory

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

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

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fixed Assets and Depreciation (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Assets in the general fixed assets account group are not depreciated.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- Textbook Subsidy
- David Meade Massie
- Professional Development Block Grant
- Performance Incentive Grant
- Title I
- Title VI
- Title VI-B
- Drug-Free Schools
- Telecom (E-Rate)

Capital Projects Funds

- School Net
- Emergency Building Repair
- School Net Plus
- Technology Equity

Reimbursable Grants

General Fund

- Driver Education

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Intergovernmental Revenues

Special Revenue Funds

National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grants and entitlements received in governmental funds amounted to approximately 67.49 percent of governmental fund revenues during the 1999 fiscal year.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after 15 years of current service with the School District. The current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

J. Accrued Liabilities and Long-Term Obligations

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

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Interfund Transactions

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

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

L. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 21 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

M. Fund Balance Reserves

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

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

N. Estimates

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

O. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations 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.

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

3. CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD RESTATEMENT

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

The cash balances in the Special Revenue, Debt Service and Capital Projects Funds have been restated due to classification errors from prior years. These adjustments resulted in the following restatement of beginning Fund Balance/Retained Earnings:

	<u>As Reported 6/30/98</u>	<u>Restated Amount</u>
Special Revenue Funds	\$261,025	\$281,573
Debt Service Fund	370,563	351,855
Capital Projects Funds	4,411,426	4,409,586

4. ACCOUNTABILITY

At June 30, 1999, the Self-Insurance Internal Service Fund had deficit retained earnings of \$71,414, which was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur.

5. BUDGETARY BASIS OF ACCOUNTING

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

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

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$626,400	\$145,672	\$69,592	(\$1,752,988)
Revenue Accruals	(35,875)	(421)	2,978	0
Expenditure Accruals	36,959	15,359	0	507,587
Encumbrances	(233,131)		0	(2,470,166)
Budget Basis	<u>\$394,353</u>	<u>\$89,742</u>	<u>\$72,570</u>	<u>(\$3,715,567)</u>

Operating Loss/Excess of Revenues Under Expenses
Internal Service Fund

	Self- Insurance
GAAP Basis	\$10,073
Expense Accruals	\$116,067
Reserve for Encumbrances	2,119
Budget Basis	<u>\$128,339</u>

6. DEPOSITS AND INVESTMENTS

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

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

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

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

6. DEPOSITS AND INVESTMENTS (Continued)

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.

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

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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

6. DEPOSITS AND INVESTMENTS (Continued)

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

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

Deposits:

At fiscal year end, the carrying amount of the School District's deposits was \$6,653,430, and the bank balance was \$6,694,445. Of the bank balance, \$200,000 was covered by federal depository insurance and \$6,494,445 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments:

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counter party's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter-party, or by its trust department or agent but not in the School District's name. The School District had no investments at June 30, 1999.

7. PROPERTY TAXES

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

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

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

7. PROPERTY TAXES (Continued)

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

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

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

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

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$74,104,640	71.25%	\$86,543,190	73.58%
Public Utility	10,104,020	9.72%	10,859,110	9.23%
Tangible Personal Property	19,786,340	19.03%	20,224,400	17.19%
Total Assessed Value	<u>\$103,995,000</u>	<u>100.00%</u>	<u>\$117,626,700</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$36.90		\$35.90	

The School District receives property taxes from Ross County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1998 are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible 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, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

7. PROPERTY TAXES (Continued)

The amount available as an advance at June 30, 1999, was \$140,325 in the General Fund, \$3,109 in the Classroom Maintenance Special Revenue Fund, and \$30,473 in the Debt Service Fund.

8. INCOME TAX

The School District levies a voted tax of .50 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1996, and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

9. RECEIVABLES

Receivables at June 30, 1999, consisted of both property and income taxes, intergovernmental grants, and accrued interest. 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.

The intergovernmental receivable at fiscal year end was \$298 in the Food Service Special Revenue Fund.

10. FIXED ASSETS

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

<u>Asset Category</u>	<u>Balance at 6/30/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/99</u>
Land and Improvements	\$119,912	\$6,761	\$0	\$126,673
Buildings and Improvements	2,176,058	83,051	0	2,259,109
Furniture, Fixtures and Equipment	781,642	155,005	25,959	910,688
Vehicles	1,015,812	196,396	105,381	1,106,827
Construction In Progress	<u>0</u>	<u>7,608,257</u>	<u>0</u>	<u>7,608,257</u>
Total General Fixed Assets	<u>\$4,093,424</u>	<u>\$8,049,470</u>	<u>\$131,340</u>	<u>\$12,011,554</u>

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

11. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Nationwide Insurance for general liability and fleet insurance, Indiana Insurance for property insurance, Sharrer Weddleton Insurance for boiler and machinery coverage, and Gellner Insurance for builder's risk coverage.

Insurance coverages are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$9,677,826
Boiler and Machinery (\$1,000 deductible)	No limit
Automobile Liability (\$100 deductible)	2,000,000
Builder's Risk	11,836,331
General Liability	
Per occurrence	1,000,000
Total per year	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Dental and Medical insurance is offered to employees through a self-insurance internal service fund. The dental and medical claims liability of \$2,872 and \$116,067, respectively is reported in the internal service fund at June 30, 1999 is based on an estimate provided by the third party administrator and the requirements of *GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues"*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the fiscal year are as follows:

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

11. RISK MANAGEMENT (Continued)

	Balance at Beginning of Year	Incurred Claims	Claims Payments	Balance at End of Year
1998	\$88,029	\$467,404	\$452,512	\$102,921
1999	\$102,921	\$562,016	\$548,870	\$116,067

12. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$65,519, \$88,467 and \$92,344, respectively; 44.06 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$36,653 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

12. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$157,224, \$318,126 and \$321,936, respectively; 81.21 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$29,535 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

13. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired 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 on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$209,632 for fiscal year 1999.

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

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

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

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

13. POSTEMPLOYMENT BENEFITS

For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$73,853.

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

14. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. There is no limit of sick leave accumulation for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 38 days for all employees.

B. Life Insurance

The School District provides life insurance to most employees through Safeco.

C. Deferred Compensation

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

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

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

15. CAPITAL LEASES - LESSEE DISCLOSURE

In fiscal year 1999, and in prior years, the School District has entered into capitalized leases for furniture, fixtures and equipment, and for vehicles. Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of furniture, fixtures and equipment, and vehicles have been capitalized in the general fixed assets account group in the amounts of \$88,899, and \$10,430, respectively. These amounts represent the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1999 totaled \$12,295 in the governmental funds

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

Fiscal Year Ending June 30,	GLTDAG
2000	\$22,908
2001	15,720
2002	8,580
2003	8,580
2004	8,580
2005	715
Total	65,083
Less: Amount Representing Interest	(8,931)
Present Value of Net Minimum Lease Payments	\$56,152

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

16. LONG-TERM OBLIGATIONS

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

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
School Improvement Bond - 1983 - 9.375%	\$600,000	\$0	\$100,000	\$500,000
School Improvement Bond - 1997 - 5.55% (avg)	4,890,000	0	110,000	4,780,000
Capital Leases	32,468	35,979	12,295	56,152
Pension Obligation	67,983	64,675	67,983	64,675
Compensated Absences	344,338	61,758	0	406,096
Total General Long-Term Obligations	<u>\$5,934,789</u>	<u>\$162,412</u>	<u>\$290,278</u>	<u>\$5,806,923</u>

Zane Trace School Improvement General Obligation Bonds

In 1983, Zane Trace Local School District issued \$2,000,000 in voted general obligation bonds for the purpose of an addition and improvement to the middle school building. The bonds were issued for a twenty year period with final maturity at December 1, 2003. The bonds will be retired from the debt service fund.

Zane Trace School Improvement General Obligation Bonds

On November 5, 1997, the voters of the School District approved a 3.8 mil, 23 year bond levy for the purpose of building a new high school. The levy will generate \$4,400,000 in tax revenues. The State Department of Education is providing a school facilities assistance loan in the amount of \$6,635,000. As a requirement of the loans, the School District was required to pass the 3.8 mill levy, of which .5 mill was to be used for the retirement of the loan, with the balance of the 3.3 mills to be used for the retirement of the 1997 bond issue.

On October 7, 1997, the School District was notified by the Ohio School Facilities Commission that they would not be responsible for repaying any of the \$6,635,000 classroom facilities loan to the State because the School District's adjusted valuation per pupil (currently 348 out of 611 schools) was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set aside the funds that would have been used for repayment for facilities maintenance. As part of this process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the School District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three year period, the School District may become responsible for repayment of a portion of the State's contribution.

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

16. LONG-TERM OBLIGATIONS (Continued)

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

The School District's overall legal debt margin was \$5,727,850 with an unvoted debt margin of \$117,627 at June 30, 1999.

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 1999, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2000	\$220,000	\$300,639	\$520,639
2001	230,000	286,135	516,135
2002	240,000	271,020	511,020
2003	245,000	255,445	500,445
2004	250,000	239,505	489,505
2005-2009	890,000	1,047,268	1,937,268
2010-2014	1,225,000	717,821	1,942,821
2015-2019	1,615,000	327,954	1,942,954
2020	365,000	9,946	374,946
Total	<u>\$5,280,000</u>	<u>\$3,455,733</u>	<u>\$8,735,733</u>

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

17. CONTRACTUAL COMMITMENTS

As of June 30, 1999, the School District had contractual purchase commitments for the completion of construction of the new high school as follows:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 6/30/99</u>
D. E. Huddleston, Inc.	\$6,186,574	\$3,712,551	\$2,474,023
Dain Lyon, Inc.& Glennco Systems, Inc.	780,989	564,753	216,236
Geiger Bros. Mechanical Contractors	2,324,408	1,655,344	669,064
Central Fire Protection	76,788	72,079	4,709
Claypool Electric, Inc.	1,613,401	1,166,547	446,854
Custom Fabricators	452,232	272,451	179,781
Farnham Equipment Co.	60,900	57,655	3,245
Quality Restaurant Supply	125,900	106,877	19,023
Total	<u>\$11,621,192</u>	<u>\$7,608,257</u>	<u>\$4,012,935</u>

18. JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the eight participating member counties, two school treasures, plus one representative from the fiscal agent. The School District paid SCOCA \$2,269 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Pickaway-Ross County Joint Vocational School

The Pickaway-Ross County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven representatives from the various City and County Boards within Pickaway and Ross Counties, each of which possesses its own budgeting and taxing authority. To obtain financial information write to the Pickaway-Ross County Joint Vocational School, Ben Van Horn who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

18. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Great Seal Education Network of Tomorrow

The Great Seal Education Network of Tomorrow is a regional council of governments (the "Council") consisting of twelve city, local, and joint vocational school districts, two educational service centers and the Ohio University-Chillicothe Campus for the purpose of promoting the use of advanced telecommunications and technology to provide enhanced educational opportunities to the communities of Ross and Pickaway Counties. The Council is operated under the direction of a Board of Directors consisting of one representative (the superintendent or another person appointed by the board of education) of each of the members, each of which possess its own budgeting and taxing authority. To obtain financial information, write to the Ohio University-Chillicothe Campus, who acts as fiscal agent, at 571 West Fifth Street, Chillicothe, Ohio 45601.

Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Council. The School District paid \$770 to the Coalition for services provided during the year.

19. CLAIMS SERVICING AND INSURANCE PURCHASING POOLS

Ross County School Employees Insurance Consortium

The School District is a member of the Ross County School Employees Insurance Consortium (the "Consortium"), a claims servicing pool consisting of eighteen school districts within Ross County and its surrounding area. Medical/surgical and dental insurance is administered through a third party administrator, Professional Risk Management Co. The Consortium's business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the Union Scioto Local School District at 1432 Egypt Pike, Chillicothe, Ohio 45601.

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

20. SCHOOL FUNDING COURT 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 State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$3,495,757 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 1999, the School District had received a total grant of \$6,635,000 under this program.

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

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

21. SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside an amount based on prior year revenues for the purchase of textbooks and other instructional materials and an additional amount for capital improvements. Amounts not spent by year-end or offset by similarly restricted resources must be held in cash at year-end and carried forward to be used for the same purposes in future years. Amounts are also to be set aside if the School District's base amount used for the yearly set-aside calculation increases three percent or more from the prior year. This amount is to be included in the budget stabilization reserve.

The following information describes any changes in the amounts set-aside for textbooks and instructional materials, capital improvements and budget stabilization from the end of the prior year to the end of the current year.

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

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

	<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	\$30,125	\$30,125
Current year set-aside requirement	103,260	103,260	0	206,520
Current year offsets	(20,410)	0	0	0
Qualifying disbursements	(82,850)	(103,260)	0	(206,520)
Set-aside Cash Balance as of June 30, 1999	<u>\$0</u>	<u>\$0</u>	<u>\$30,125</u>	<u>\$30,125</u>

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

22. CONTINGENCIES

A. Grants

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

B. Litigation

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

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**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF FEDERAL AWARD RECEIPT AND EXPENDITURES
JUNE 30, 1999**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Pass-Through Entity Number</u>	<u>Federal C.F.D.A. Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Expenditures</u>	<u>Non-Cash Expenditures</u>
<u>U.S. Department of Agriculture</u>						
Passed through Ohio Department of Education:						
Child Nutrition Cluster						
Food Distribution (See Note "B")		10.550	\$0	\$24,692	\$0	\$26,894
National School Breakfast Program	05-PU 99	10.553	\$13,507	0	13,507	0
National School Lunch Program	04-PU 99	10.555	<u>67,382</u>	<u>0</u>	<u>67,382</u>	<u>0</u>
Total U.S. Department of Agriculture- Child Nutrition Cluster			80,889	24,692	80,889	26,894
<u>U.S. Department of Education</u>						
Pass through the Ohio Department of Education:						
Title I	C1-S1 98/99	84.010	145,605	0	147,976	0
Goals 2000	G2-S1 99	84.276	36,900	0	518	0
Innovative Educational Program Strategy	C2-S1 99	84.298	5,190	0	5,190	0
<i>Special Education Cluster</i>						
Title VI-B	6B-SF 98/99	84.027	<u>67,064</u>	<u>0</u>	<u>66,402</u>	<u>0</u>
Total U.S. Department of Education			254,759	0	220,086	0
Total Federal Financial Assistance			<u><u>\$335,648</u></u>	<u><u>\$24,692</u></u>	<u><u>\$300,975</u></u>	<u><u>\$26,894</u></u>

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

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARD RECEIPTS AND EXPENDITURES
JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards receipts and expenditures is a summary of the activity of the Districts federal award programs.

The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 2nd Flr.
Columbus, Ohio 43215

Telephone 614-466-3402
800-443-9275

Facsimile 614-728-7199
www.auditor.state.oh.us

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

Zane Trace Local School District
Ross County
946 State Route 180
Chillicothe, Ohio 45601

To the Board of Education:

We have audited the financial statements of the Zane Trace Local School District, Ross County, Ohio (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated October 18, 2000 wherein we disclosed that the District changed its method of reporting its deferred compensation program. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated October 18, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the District in a separate letter dated October 18, 2000.

Board of Education
Zane Trace Local School District
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

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

JIM PETRO
Auditor of State

October 18, 2000



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Columbus, Ohio 43215
Telephone 614-466-3402
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Facsimile 614-728-7199
www.auditor.state.oh.us

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

Zane Trace Local School District
Ross County
946 State Route 180
Chillicothe, Ohio 45601

To the Board of Education:

We have audited the compliance of the Zane Trace Local School District, Ross County, Ohio, (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 each of its major federal programs for the year ended June 30, 1999. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to 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.

Compliance

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999. We noted an instance of noncompliance that does not require inclusion in this report that we have reported to management of the District in a separate letter dated October 18, 2000.

Internal Control Over Compliance

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

**Internal Control Over Compliance
(Continued)**

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

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

JIM PETRO
Auditor of State

October 18, 2000

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs (list):	Title I CFDA# 84.010 Child Nutrition Cluster : Food Distribution CFDA #10.550 School Breakfast Program CFDA 10.553 School Lunch Program CFDA # 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

2. FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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None

3. FINDINGS FOR FEDERAL AWARDS

None



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

ZANE TRACE LOCAL SCHOOL DISTRICT

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 9, 2001**