

AUDITOR OF STATE BULLETIN 2000-002
February 1, 2000

TO: ALL COUNTY AUDITORS
ALL CITY AUDITORS, FINANCE DIRECTORS & TREASURERS
ALL VILLAGE FISCAL OFFICERS
ALL SCHOOL DISTRICT TREASURERS
ALL EDUCATIONAL SERVICE CENTER TREASURERS
ALL PUBLIC EMPLOYEE RETIREMENT SYSTEM FISCAL OFFICERS
ALL PUBLIC UNIVERSITY FISCAL OFFICERS
ALL COMMUNITY COLLEGE TREASURERS
ALL TECHNICAL COLLEGE DISTRICT TREASURERS
ALL TOWNSHIP CLERKS
ALL LIBRARY CLERKS/TREASURERS
ALL JOINT FIRE DISTRICT FISCAL OFFICERS
ALL JOINT RECREATION DISTRICT FISCAL OFFICERS
ALL JOINT ADAMH FISCAL OFFICERS
ALL JOINT AMBULANCE DISTRICT FISCAL OFFICERS
ALL JOINT AMBULANCE AND FIRE DISTRICT FISCAL OFFICERS
ALL UNION CEMETERY DISTRICT FISCAL OFFICERS
ALL DRAINAGE IMPROVEMENT DISTRICT FISCAL OFFICERS
ALL JOINT EMERGENCY MEDICAL DISTRICT FISCAL OFFICERS
ALL TOWNSHIP POLICE DISTRICT FISCAL OFFICERS
ALL TOWNSHIP FIRE DISTRICT FISCAL OFFICERS
ALL TRANSIT AUTHORITY FISCAL OFFICERS
ALL PORT AUTHORITY FISCAL OFFICERS
ALL METROPOLITAN HOUSING AUTHORITY FISCAL OFFICERS
ALL AIRPORT AUTHORITY FISCAL OFFICERS
ALL HOSPITAL FISCAL OFFICERS
ALL TOWNSHIP ROAD DISTRICT FISCAL OFFICERS
ALL WATER AND SEWER DISTRICT FISCAL OFFICERS
ALL TOWNSHIP WASTE DISPOSAL DISTRICT FISCAL OFFICERS
ALL INDEPENDENT PUBLIC ACCOUNTANTS

SUBJECT: UPDATING DISCLOSURES ABOUT YEAR 2000 ISSUES FOR REPORTS ISSUED AFTER 1999.

The disclosure requirements for Year 2000 Issues do not terminate after December 31, 1999. Instead, the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletins Nos. 98-1 and 99-1 (the GTBs) are required for financial statement periods ending on or before December 31, 1999, regardless of when the report is issued. The disclosures are also required for financial statements dated after December 31, if significant Year 2000 Issues still exist as of a later financial statement date.

However, the Auditor of State believes that the disclosures required by the GTBs should be modified for reports *issued* after December 31, since at least some information will be available about the actual effects of the Year 2000 Issue. This Bulletin describes considerations and examples for updating the disclosure.

Auditor of State Bulletin 98-10 included example disclosures required by GTB 98-1, which also complied with

GTB 99-1 requirements. Those examples described the efforts governments had (or had not) taken to address Year 2000 Issues. However, those disclosures necessarily avoided predictions about the outcome of remediation efforts. After January 1, governments should have *some* information about the success or failure of remediation efforts, though the full effects will not likely be immediately known.

In modifying the footnote, consider that the uncertainty regarding Year 2000 effects will dissipate as time passes in 2000. That is, there may be little or no uncertainty regarding the effects for a FYE December 31, 1999 report issued in July, 2000. Conversely, there may still be uncertainty regarding the effects for a FYE June 30, 1999 report issued in early January, 2000. For example, in early January, a government may not have yet closed its accounting records for 1999, may not have issued payroll checks, updated utility billing or accounts receivable records.

The examples attached provide wording we believe provide appropriately conservative updates for the Year 2000 Issue, and recognize that some uncertainty may still remain.

Note for auditors: The Auditor of State's *Year 2000 Analysis Program & Disclosure Checklist* (appended to Audit Division Advisory Memo 98-21) described evidential matter necessary to support Y2k disclosures.

Subsequent to December 31, auditors should consider that more reliable evidence may exist than was previously available. For example, the *Checklist* suggested reading contracts, written vendor assurances and similar documents. After December 31, auditors will often be able to test or observe output from electronic systems or other electronic equipment to support a government's assertions about the stages of remediation or whether malfunctions occurred.

This should result in less time required to audit Y2K footnote assertions. For example, prior to December 31, an auditor testing an accounts receivable aging report may have recomputed the aging of certain receivables to help support the financial statement valuation assertion, and read vendor contracts to support footnote disclosures. After December 31, the test of the aging system would often be sufficient for both the valuation assertion and to support that the system was adequately remediated, tested and validated.

In some circumstances, it may now be sufficient to limit tests of other electronic equipment, such as embedded chips, to inquiries and observations of the equipment.

If you have questions about this Bulletin or the example disclosures, contact the Division of Accounting and Auditing Support of the Auditor of State, at (800)282-0370.

Attachment



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Sample Y2K Financial Statement Notes For Reports Issued After December 31, 1999*

*NOTE: The provisions of GASB Technical Bulletins 98-1 and 99-1 terminate for financial statement periods ending after December 31, 1999, unless systems and other equipment are not year 2000 compliant for a financial statement period dated in 2000 or later. Therefore, these disclosures **will** apply for all reports with fiscal years ended June 30 or December 31, 1999, even though the reports' accompanying opinion may not be dated until after December 31, 1999.

Sample Y2K Financial Statement Notes Auditor of State

The Auditor of State of Ohio has prepared the following *Sample Y2K Financial Statement Notes*. This guidance represents the views of the Auditor of State of Ohio. While these Sample Notes have been reviewed and commented upon by certain members of the GASB staff, they have not been approved, disapproved, or otherwise acted upon by the GASB.

- ❑ Comments in **bold** illustrate GASB TB 98-1 and 99-1 minimum disclosures. Comments in regular, non-bold, typeface are not necessary to comply with the Technical Bulletin, but might serve as additional useful information.
- ❑ For reports subject to the Y2K disclosure issued after December 31, 1999, we recommend using disclosures adapted from these examples rather than the examples we issued with Auditor of State Bulletin 98-10. Since reports subject to this Bulletin will not be issued until after December 31, governments and auditors should have at least some knowledge of the success of Year 2000 remediation efforts. Dual dating for the Y2K disclosure, per AU 530.05, is also acceptable.

In modifying the footnote, consider that the uncertainty regarding Year 2000 effects will dissipate as time passes in 2000. That is, there may be little or no uncertainty regarding the effects for a FYE December 31, 1999 report issued in June, 2000. Conversely, there may still be uncertainty regarding the effects for a FYE June 30, 1999 report issued in January, 2000. For example, in January, a government may not have yet closed its accounting records for 1999, may not have issued payroll checks, updated utility billing or accounts receivable records.

Therefore, all the examples include disclosures as of the balance sheet date, as required by the GTB's and include updated information through the independent accountant's opinion date.

- ❑ In Auditor of State Bulletin 98-10, we recommended concluding Y2K footnotes with the following disclaimer, adopted from the *AICPA Illustrative Reporting Guidance On Year 2000 Disclosures Made Under GASB TB 98-1*.

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

Assuming a report is issued in 2000, and no significant adverse effects have been noted, consider replacing the above conclusion with the following:

To the best of management's knowledge and belief, as of [opinion date], the government experienced no significant interruption of mission-critical operations or services related to the Year 2000 Issue. However, because of the unprecedented nature of the Year 2000 Issue, matters may yet arise, and parties with whom the [Government] does business may also experience Year 2000 readiness issues that are as yet, unknown.

For reports issued later in the year, management may determine that the last sentence in the paragraph above is unnecessary. Judgment is required.

Should a government experience Year 2000 malfunctions, the following language (revised as needed) may be appropriate:

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Except regarding the [type of malfunctioning system or equipment], to the best of management's knowledge and belief, as of [opinion date], to the best of management's knowledge and belief, as of [opinion date], the government experienced no significant interruption of mission-critical operations or services related to the Year 2000 Issue. However, because of the unprecedented nature of the Year 2000 Issue, matters may yet arise, and parties with whom the [Government] does business may also experience Year 2000 readiness issues that are as yet, unknown.

The examples within show how the preceding paragraph might be modified under differing scenarios.

- GASB staff has suggested to the Auditor of State that the following paragraph, or something similar, be added to the required disclosures:

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

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Example 1– Government determined that no remediation was necessary, and no Y2K issues noted as of the opinion date.

Note XX - Year 2000 Issue

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

As of [financial statement date] Harrison Township has inventoried its mission-critical computer systems and other electronic equipment that may be affected by the Year 2000 Issue and that are necessary to conducting Township operations. Based on this inventory, the Township determined that no further remediation or system testing was required.

To the best of management's knowledge and belief, as of [opinion date], the government experienced no significant interruption of mission-critical operations or services related to the Year 2000 Issue. However, because of the unprecedented nature of the Year 2000 Issue, matters may yet arise, and parties with whom the [Government] does business may also experience Year 2000 readiness issues that are as yet, unknown.

Example 2 – Multiple systems described, validated and tested. A commitment outstanding at the balance sheet date for Y2K remediation is disclosed as required by GTB 98-1. No Y2K issues noted as of the opinion date.

Note XX - Year 2000 Issue

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

As of [financial statement date], Grant Township identified the following mission-critical electronic systems and equipment:

- # The Township leases the Auditor of State's Uniform Accounting Network (UAN) system for its financial operations. The Auditor of State is responsible for remediating these systems and is solely responsible for any costs associated with this project. In December, 1999, the Township installed and tested a version the Auditor of State asserts to be Year 2000 compliant.
- # Tax collection for the Township is handled by Buchanan County. The County is responsible for remediating this system, and is solely responsible for any costs associated with this project.
- # **The Township also owns a building with efficient power¹, heating, and air-conditioning systems. As of [financial statement date], an external vendor was engaged to remediate, test and validate these systems. The Township had unpaid commitments to this vendor of \$10,000 as of [financial statement date].** As of [opinion date], the vendor asserts that remediation, validation and testing was complete. The Township has no commitment remaining to this vendor as of [opinion date].²

¹ In this sample note, it is assumed that the entity has decided that a failure of the climate-control systems could have a sufficiently significant effect to be deemed mission critical; information on the heating and air conditioning systems probably is not necessary, but it can be disclosed if the entity wishes to.

² The GTB's do not require disclosing matters occurring after the financial statement date. However, such information can be useful. This sentence is an example of an update. Other updates to the required disclosures are also included. Since they are not required,

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To the best of management's knowledge and belief, as of [opinion date], the government experienced no significant interruption of mission-critical operations or services related to the Year 2000 Issue. However, because of the unprecedented nature of the Year 2000 Issue, matters may yet arise, and parties with whom the [Government] does business may also experience Year 2000 readiness issues that are as yet, unknown.

Example 3 – The accounting system is experiencing Y2K Issues which are unresolved as of the opinion date.

Note XX - Year 2000 Issue

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

As of [financial statement date], Harding Township had not inventoried or remediated computer systems and other electronic equipment that may be affected by the Year 2000 Issue and that are necessary to conducting Township operations. The Township's accounting and payroll systems malfunctioned in January, 2000. The Township is manually processing receipt and disbursement transactions and manually writing checks to vendors and employees. As of [opinion date], the Township has committed \$25,000 to a software vendor to remediate, validate and test these systems. Additional costs could be incurred, depending upon the nature of the required remedial actions.

Except regarding the accounting and payroll system, to the best of management's knowledge and belief, as of [opinion date], the government experienced no significant interruption of mission-critical operations or services related to the Year 2000 Issue. Because of the unprecedented nature of the Year 2000 Issue, the Township cannot guarantee when it will be able to resume automated processing of accounting transactions. The full effects of the Year 2000 Issues are not yet fully determinable. Parties with whom the [Government] does business may also experience Year 2000 readiness Issues that are as yet, unknown.

Example 4.a – Multiple systems described, embedded chips in the traffic control system have malfunctioned and have not been remediated as of the opinion date. Commitments outstanding at the balance sheet date are disclosed, and updated through the opinion date.

Note XX - Year 2000 Issue

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

As of [financial statement date], McKinley City has inventoried computer systems and other electronic equipment that may be affected by the Year 2000 Issue and that are necessary to conducting City operations. The City has taken the following steps to help assure the continued proper functioning of these systems:

- ***Financial reporting, tax collection, payroll and employee benefit systems.*** The City has remediated, validated and tested its financial reporting, tax collection, payroll and employee benefit systems.
- ***911 police and fire emergency reporting system.*** The City has completed all testing and validation on its portion of the 911 police and fire reporting system. The 911 police and fire

they are not in bold type.

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reporting system has data interchanges with several other such systems, some of which were not tested and validated. As of [opinion date], there have been no known service interruptions related to these interchanges.

- **Traffic control system.** As of [financial statement date], a vendor was remediating the traffic control system, and the City had a remaining commitment of \$100,000 for this project. Commencing January, 2000, this system was unable to control the timing of certain traffic lights in the City. As of [opinion date] The City continues to experience significant congestion during rush hour. Alternative routes have been publicized, and additional police staff direct traffic at strategic intersections. As of [opinion date] the vendor is still remediating this system. As of [opinion date], the City's remaining commitment to the vendor is \$10,000.
- **Electrical distribution system.** A vendor has validated and tested the electrical distribution system.— The electrical distribution system purchases electricity from a commercial supplier which is responsible for remediating the wholesale power system and was solely responsible for any remediation costs associated with its system.
- **A municipal hospital.** The municipal hospital is a component unit. As of [financial statement date], the hospital reports all of its computer systems and other electronic equipment critical to conducting operations have been tested and validated.

Except regarding the traffic control system described above, to the best of management's knowledge and belief, as of [opinion date], the government experienced no significant interruption of mission-critical operations or services related to the Year 2000 Issue. However, because of the unprecedented nature of the Year 2000 Issue, matters may yet arise, and parties with whom the [Government] does business may also experience Year 2000 readiness issues that are as yet, unknown.

Example 4.b - component unit has differing system

(The Rest of the sample note, except the discussion of the hospital, is the same as 4.a above.):

Municipal hospital. The municipal hospital is a component unit. The Hospital has identified the following systems as mission critical: financial reporting, payroll and employee benefit systems and certain medical equipment. As of [financial statement date], hospital management reported that all mission-critical systems were validated and tested. The hospital reports that to the best of its management's knowledge and belief, as of [opinion date], the hospital experienced no significant interruption of mission-critical operations or services related to the Year 2000 Issue. However, because of the unprecedented nature of the Year 2000 Issue, matters may yet arise, and parties with whom the Hospital does business may also experience Year 2000 readiness issues that are as yet, unknown.

Example 4.c – Same as 4.a, except in tabular format. The footnotes to the footnote would be included in the report.

Note XX - Year 2000 Issue

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

McKinley City has inventoried computer systems and other electronic equipment that may be affected by the Year 2000 Issue and that are necessary to conducting City operations. As of [financial statement date], the City has classified the status of its mission critical systems as follows:

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<i>Systems</i> <i>In Process Completed</i>	Awareness		Assessment		Remediation		Validation & Testing		Contracted Amounts as of [financial statement date]
	P	C	P	C	P	C	P	C	
<i>Financial reporting, tax collection, payroll and employee benefit systems</i>									
<i>911 police and fire emergency reporting system</i>								3	
<i>Traffic control system</i>					4				\$100,000
<i>Electrical distribution system</i>									
<i>Other Electronic equipment identified as necessary to conducting City operations.</i>									

³ **The City has completed all testing and validation on its portion of the 911 police and fire reporting system. The 911 police and fire reporting system has data interchanges with several other such systems, some of which were not tested and validated.**

⁴ **In January, 2000, the traffic control system was unable to control the timing of certain traffic lights in the City. As of [opinion date] The City continues to experience significant congestion during rush hour. Alternative routes have been publicized, and additional police staff direct traffic at strategic intersections. As of [opinion date] the vendor is still remediating this system. As of [opinion date], the City's remaining commitment to the vendor is \$10,000.**

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<i>Systems</i> <i>In Process Completed</i>	Awareness		Assessment		Remediation		Validation & Testing		Contracted Amounts as of [financial statement date]
	P	C	P	C	P	C	P	C	
<i>Municipal hospital (a component unit)</i>									

Except regarding the traffic control system (see footnote), to the best of management's knowledge and belief, as of [opinion date], the government experienced no significant interruption of mission-critical operations or services related to the Year 2000 Issue. However, because of the unprecedented nature of the Year 2000 Issue, matters may yet arise, and parties with whom the [Government] does business may also experience Year 2000 readiness Issues that are as yet, unknown.

Example 5 – The 911 system experienced Y2K Issues, which were remediated prior to the opinion date. However, the service interruption resulted in contingent losses (threatened litigation), which is referenced to a contingency footnote.

Note XX - Year 2000 Issue

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

Hayes County has inventoried its computer systems and other electronic equipment that may be affected by the Year 2000 Issue and that are necessary to conducting County operations. The status of its mission-critical systems as of [financial statement date] follows:

- G **The County has a financial reporting and tax collection system.** The County uses in-house programmers for these systems. **Validation and testing was completed prior to December 31, 1999.**

- G **The County also operates a regional 911 reporting system for police and fire emergencies and a water system serving unincorporated areas within the county. Management believed validation and testing of these systems was completed by September, 1999. However, the regional 911 system failed to operate properly after December 31, 1999.** The County had programmers on site by January 4, 2000, to address this system interruption. The County extensively publicized alternative phone lines citizens could use while the system was inoperable. Remediation, validation and testing was

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completed by January 25. However, some citizens have filed suit against the County over incidents related to this matter. See "Contingencies" (footnote ZZ).

Except regarding the 911 system, to the best of management's knowledge and belief, as of [opinion date], the government experienced no significant interruption of mission-critical operations or services related to the Year 2000 Issue. However, because of the unprecedented nature of the Year 2000 Issue, matters may yet arise, and parties with whom the [Government] does business may also experience Year 2000 readiness Issues that are as yet, unknown.

Example 6 – Mission critical systems tested and validated prior to the balance sheet date, no Y2K interruptions noted as of the opinion date.

Note XX - Year 2000 Issue

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

As of [financial statement date], Garfield County has remediated, validated and tested all mission-critical systems, which it identified as follows:

- **Financial reporting and tax collection systems.**
- **Regional 911 reporting system for police and fire emergencies and a water system serving unincorporated areas within the county.**

To the best of management's knowledge and belief, as of [opinion date], the government experienced no significant interruption of mission-critical operations or services related to the Year 2000 Issue. However, because of the unprecedented nature of the Year 2000 Issue, matters may yet arise, and parties with whom the [Government] does business may also experience Year 2000 readiness Issues that are as yet, unknown.

Example 7 – Payroll system under remediation at the balance sheet date and was unable to process transactions after December 31.

Note XX - Year 2000 Issue

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

Tyler School District has inventoried its computer systems and other electronic equipment that may be affected by the Year 2000 Issue and that are necessary to conducting District operations and has identified such systems as being financial reporting, payroll, and grant reporting.

- **As of [financial statement date], the financial reporting system has been assessed, remediated, and tested and validated.**
- **As of [financial statement date] and as of [opinion date] the payroll system is being remediated by a vendor. The system malfunctioned on January 1, 2000. Since January 1, the District has relied on manual processing of payroll transactions. The vendor asserts that remediation, validation and testing should be completed approximately March 1, 2000.**

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Commitments outstanding for this remediation, validation and testing were \$30,000 and \$15,000 at [financial statement date] and [opinion date], respectively.

- **The District's grant reporting system, including federal and state grants, has been validated and tested.**
- Tyler County collects property taxes for distribution to the Tyler School District. Tyler County is responsible for remediating the tax collection system.

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

The County is solely responsible for any costs associated with the tax collection system project. The State is solely responsible for any costs associated with the Foundation processing and EMIS systems.

Except for the payroll system, to the best of management's knowledge and belief, as of [opinion date], the government experienced no significant interruption of mission-critical operations or services related to the Year 2000 Issue. However, because of the unprecedented nature of the Year 2000 Issue, matters may yet arise, and parties with whom the [Government] does business may also experience Year 2000 readiness issues that are as yet, unknown.

Example 8 – Electronic climate-control system was deemed mission critical, and failed after December 31. The government's contingency plan (i.e., to revert to manual control) sufficiently alleviated the matter.

Note XX - Year 2000 Issue

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

Polk School District has assessed, and has remediated, validated and tested (as deemed necessary) computer systems and other electronic equipment that may be affected by the Year 2000 Issue and that are necessary to conducting District operations. The District identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through interfaces with the State's Education Management and Information System (EMIS)). The District also has seven school buildings with electronic climate control systems. On January 1, 2000, the District's electronic climate-control systems malfunctioned. The District disabled these electronic climate-control systems and has since relied on manual operation and adjustments to these systems. There are no current plans to remediate these electronic systems.

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

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

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Except for the climate control system, to the best of management's knowledge and belief, as of [opinion date], the government experienced no significant interruption of mission-critical operations or services related to the Year 2000 Issue. However, because of the unprecedented nature of the Year 2000 Issue, matters may yet arise, and parties with whom the [Government] does business may also experience Year 2000 readiness issues that are as yet, unknown.

Example 9 – Change in external service organization to help alleviate Y2K concerns results in lawsuit filed against government. Also, electronic climate control system was deemed mission critical, and malfunctioned after December 31.

Note XX - Year 2000 Issue

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

Taylor School District has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 Issue and that are necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits. The District has seven school buildings with electronic climate-control systems.

The financial reporting system has been assessed, remediated and tested and validated.

The District uses an external service organization for its payroll and employee benefit system. The external service organization is responsible for remediating its systems. In August, 1999, the external service organization reported that it was doubtful that its payroll and employee benefit system could be remediated prior to December 31, 1999. In October, 1999, the District contracted with another service organization to provide payroll and employee benefit transaction processing. The former service organization has since sued the District for breach of contract. See Note ZZ regarding contingencies.

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

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

The District has assessed changes needed in the climate-control systems. Four buildings contained systems for which the District determined no changes were needed. Two other buildings required remediation which is currently under way; testing and validation will follow. One building requires remediation but the original vendor for the electronic chips is out of business. A vendor currently is attempting to remediate the systems in this building to accept new electronic chips for controls. As a result, the District experienced malfunctions in certain climate-control systems after January 1, 2000. The District is manually operating the climate control system while remediation continues. The District had outstanding commitments for this project of \$80,000 as of [financial statement date], and \$20,000 as of [opinion date].

Except for the climate-control systems, to the best of management's knowledge and belief, as of [opinion date], the government experienced no significant interruption of mission-critical operations or

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services related to the Year 2000 Issue. However, because of the unprecedented nature of the Year 2000 Issue, matters may arise, and parties with whom the [Government] does business may also experience Year 2000 readiness Issues that are as yet, unknown.

Example 10 – All mission critical systems remediated, validated and tested prior to the balance sheet date. No Y2K Issues known as of the opinion date.

Note XX - Year 2000 Issue

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

Fillmore County identified 13 computer systems and other electronic equipment that may be affected by the Year 2000 Issue and that are necessary to conducting County operations. All of these systems and equipment were remediated, validated and tested, as needed, prior to [financial statement date].

To the best of management's knowledge and belief, as of [opinion date], the government experienced no significant interruption of mission-critical operations or services related to the Year 2000 Issue. However, because of the unprecedented nature of the Year 2000 Issue, matters may yet arise, and parties with whom the [Government] does business may also experience Year 2000 readiness Issues that are as yet, unknown.