



**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

**REGULAR AUDIT**

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



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

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

Carey Exempted Village School District  
Wyandot County  
357 East South Street  
Carey, Ohio 43316

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Carey Exempted Village School District, Wyandot 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 general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 1999, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

**JIM PETRO**  
Auditor of State

December 16, 1999



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**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 Types</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>Enterprise</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Assets and Other Debits:</u>									
<u>Assets:</u>									
Equity in Pooled Cash and Cash Equivalents	\$802,382	\$76,136	\$0	\$92,590	\$56,802	\$52,913	\$0	\$0	\$1,080,823
Cash and Cash Equivalents with Fiscal Agent	0	360	0	0	0	0	0	0	360
Receivables:									
Property Taxes	1,869,107	0	91,273	49,878	0	0	0	0	2,010,258
Accounts	1,740	0	0	0	5,893	0	0	0	7,633
Intergovernmental	400	0	0	0	6,154	0	0	0	6,554
Accrued Interest	21,953	0	0	0	0	0	0	0	21,953
Prepaid Items	39,620	1,256	0	0	1,778	0	0	0	42,654
Inventory Held for Resale	0	0	0	0	42,772	0	0	0	42,772
Materials and Supplies Inventory	35,008	0	0	0	1,034	0	0	0	36,042
Restricted Assets:									
Equity in Pooled Cash and Cash Equivalents	97,834	0	0	0	0	0	0	0	97,834
Advances to Other Funds	168,561	0	0	0	0	0	0	0	168,561
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	0	0	29,565	0	6,861,100	0	6,890,665
<u>Other Debits:</u>									
Amount Available in Debt Service Fund for Retirement of General Obligation Debt	0	0	0	0	0	0	0	8,753	8,753
Amount to be Provided from General Governmental Resources	0	0	0	0	0	0	0	930,375	930,375
<b>Total Assets and Other Debits</b>	<b>\$3,036,605</b>	<b>\$77,752</b>	<b>\$91,273</b>	<b>\$142,468</b>	<b>\$143,998</b>	<b>\$52,913</b>	<b>\$6,861,100</b>	<b>\$939,128</b>	<b>\$11,345,237</b>

(continued)



**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**June 30, 1999**  
(continued)

	<u>Governmental Fund Types</u>				<u>Proprietary</u>	<u>Fiduciary</u>	<u>Account Groups</u>		<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>Debt</u> <u>Service</u>	<u>Capital</u> <u>Projects</u>	<u>Enterprise</u>	<u>Trust and</u> <u>Agency</u>	<u>General</u> <u>Fixed</u> <u>Assets</u>	<u>General</u> <u>Long-Term</u> <u>Obligations</u>	
<u>Liabilities, Fund Equity, and Other Credits:</u>									
<u>Liabilities:</u>									
Accounts Payable	\$25,224	\$14,681	\$0	\$0	\$4,946	\$0	\$0	\$0	\$44,851
Accrued Wages and Benefits	480,761	24,053	0	0	10,716	0	0	0	515,530
Compensated Absences Payable	20,357	0	0	0	10,171	0	0	447,268	477,796
Intergovernmental Payable	93,884	2,838	0	0	9,090	0	0	46,860	152,672
Accrued Interest Payable	0	0	0	1,077	0	0	0	0	1,077
Deferred Revenue	1,689,860	0	82,520	35,185	2,495	0	0	0	1,810,060
Due to Students	0	0	0	0	0	42,350	0	0	42,350
Notes Payable	0	0	0	257,835	0	0	0	0	257,835
Advances from Other Funds	0	0	0	168,561	0	0	0	0	168,561
Energy Conservation Loan Payable	0	0	0	0	0	0	0	445,000	445,000
<b>Total Liabilities</b>	<b>2,310,086</b>	<b>41,572</b>	<b>82,520</b>	<b>462,658</b>	<b>37,418</b>	<b>42,350</b>	<b>0</b>	<b>939,128</b>	<b>3,915,732</b>
<u>Fund Equity and Other Credits:</u>									
Investment in General Fixed Assets	0	0	0	0	0	0	6,861,100	0	6,861,100
Retained Earnings:									
Unreserved	0	0	0	0	106,580	0	0	0	106,580
Fund Balance:									
Reserved for Property Taxes	179,247	0	8,753	14,693	0	0	0	0	202,693
Reserved for Inventory	35,008	0	0	0	0	0	0	0	35,008
Reserved for Textbooks	7,391	0	0	0	0	0	0	0	7,391
Reserved for Budget Stabilization	63,769	0	0	0	0	0	0	0	63,769
Reserved for Bus Purchase	26,674	0	0	0	0	0	0	0	26,674
Reserved for Advances	168,561	0	0	0	0	0	0	0	168,561
Reserved for Encumbrances	121,842	21,242	0	31,202	0	0	0	0	174,286
Unreserved (Deficit)	124,027	14,938	0	(366,085)	0	10,563	0	0	(216,557)
<b>Total Fund Equity (Deficit)</b> <b>and Other Credits</b>	<b>726,519</b>	<b>36,180</b>	<b>8,753</b>	<b>(320,190)</b>	<b>106,580</b>	<b>10,563</b>	<b>6,861,100</b>	<b>0</b>	<b>7,429,505</b>
<b>Total Liabilities, Fund Equity,</b> <b>and Other Credits</b>	<b>\$3,036,605</b>	<b>\$77,752</b>	<b>\$91,273</b>	<b>\$142,468</b>	<b>\$143,998</b>	<b>\$52,913</b>	<b>\$6,861,100</b>	<b>\$939,128</b>	<b>\$11,345,237</b>

See Accompanying Notes to the General Purpose Financial Statements

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Fund Type Expendable Trust
<u>Revenues:</u>						
Property Taxes	\$1,818,923	\$0	\$79,589	\$195,973	\$0	\$2,094,485
Intergovernmental	2,825,986	245,432	0	91,365	0	3,162,783
Interest	67,401	301	0	0	217	67,919
Tuition and Fees	9,456	0	0	0	0	9,456
Extracurricular Activities	0	73,003	0	0	0	73,003
Gifts and Donations	1,891	0	0	0	0	1,891
Miscellaneous	49,278	0	0	0	0	49,278
Total Revenues	<u>4,772,935</u>	<u>318,736</u>	<u>79,589</u>	<u>287,338</u>	<u>217</u>	<u>5,458,815</u>
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	2,221,753	8,898	0	2,889	2,000	2,235,540
Special	252,280	110,412	0	0	0	362,692
Vocational	226,866	0	0	0	0	226,866
Other	6,817	0	0	0	0	6,817
Support Services:						
Pupils	481,476	5,273	0	0	0	486,749
Instructional Staff	150,045	24,491	0	6,157	0	180,693
Board of Education	26,151	0	0	0	0	26,151
Administration	482,287	6,028	0	0	0	488,315
Fiscal	177,572	135	0	7,261	0	184,968
Operation and Maintenance of Plant	302,526	0	0	0	0	302,526
Pupil Transportation	142,210	520	0	0	0	142,730
Central	10,651	0	0	0	0	10,651
Non-Instructional Services	9	92,407	0	0	0	92,416
Extracurricular Activities	138,418	76,784	0	0	0	215,202
Capital Outlay	17,984	0	0	470,837	0	488,821
Debt Service:						
Principal Retirement	0	0	45,000	0	0	45,000
Interest and Fiscal Charges	0	0	25,836	13,144	0	38,980
Total Expenditures	<u>4,637,045</u>	<u>324,948</u>	<u>70,836</u>	<u>500,288</u>	<u>2,000</u>	<u>5,535,117</u>
Excess of Revenues Over (Under) Expenditures	135,890	(6,212)	8,753	(212,950)	(1,783)	(76,302)
<u>Other Financing Sources:</u>						
Proceeds from Sale of Fixed Assets	<u>763</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>763</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	136,653	(6,212)	8,753	(212,950)	(1,783)	(75,539)
Fund Balances (Deficit) at Beginning of Year	588,067	42,392	0	(107,240)	12,346	535,565
Increase in Reserve for Inventory	1,799	0	0	0	0	1,799
Fund Balances (Deficit) at End of Year	<u>\$726,519</u>	<u>\$36,180</u>	<u>\$8,753</u>	<u>(\$320,190)</u>	<u>\$10,563</u>	<u>\$461,825</u>

See Accompanying Notes to the General Purpose Financial Statements

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

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$1,774,164	\$1,826,123	\$51,959	\$0	\$0	\$0
Intergovernmental	2,718,541	2,828,766	110,225	240,814	240,513	(301)
Interest	85,000	58,332	(26,668)	0	301	301
Tuition and Fees	9,000	8,704	(296)	0	0	0
Extracurricular Activities	0	0	0	68,785	73,861	5,076
Gifts and Donations	500	1,891	1,391	0	0	0
Miscellaneous	44,500	48,054	3,554	0	0	0
<b>Total Revenues</b>	<b>4,631,705</b>	<b>4,771,870</b>	<b>140,165</b>	<b>309,599</b>	<b>314,675</b>	<b>5,076</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	2,328,143	2,322,269	5,874	15,459	15,459	0
Special	260,439	251,236	9,203	129,709	120,263	9,446
Vocational	229,628	223,095	6,533	0	0	0
Other	20,200	6,817	13,383	0	0	0
<b>Support Services:</b>						
Pupils	564,796	454,520	110,276	6,938	5,345	1,593
Instructional Staff	221,546	170,984	50,562	13,645	13,420	225
Board of Education	27,700	25,408	2,292	0	0	0
Administration	478,354	442,367	35,987	5,932	5,484	448
Fiscal	182,234	178,117	4,117	135	135	0
Operation and Maintenance of Plant	352,083	338,122	13,961	0	0	0
Pupil Transportation	166,172	158,970	7,202	0	0	0
Central	15,350	10,714	4,636	0	0	0
Non-Instructional Services	0	0	0	106,522	106,492	30
Extracurricular Activities	141,762	138,393	3,369	107,250	84,055	23,195
Capital Outlay	104,207	100,868	3,339	0	0	0
<b>Debt Service:</b>						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>5,092,614</b>	<b>4,821,880</b>	<b>270,734</b>	<b>385,590</b>	<b>350,653</b>	<b>34,937</b>
Excess of Revenues Over (Under) Expenditures	(460,909)	(50,010)	410,899	(75,991)	(35,978)	40,013
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	500	763	263	0	0	0
Refund of Prior Year Expenditures	0	1,224	1,224	0	0	0
Advances In	80,000	132,468	52,468	0	17,468	17,468
Advances Out	(15,000)	(67,468)	(52,468)	0	(17,468)	(17,468)
<b>Total Other Financing Sources (Uses)</b>	<b>65,500</b>	<b>66,987</b>	<b>1,487</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(395,409)	16,977	412,386	(75,991)	(35,978)	40,013
Fund Balances at Beginning of Year	496,879	496,879	0	50,029	50,029	0
Prior Year Encumbrances Appropriated	163,890	163,890	0	26,141	26,141	0
<b>Fund Balances at End of Year</b>	<b>\$265,360</b>	<b>\$677,746</b>	<b>\$412,386</b>	<b>\$179</b>	<b>\$40,192</b>	<b>\$40,013</b>

(continued)

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

	Debt Service Fund			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Property Taxes	\$161,083	\$161,083	\$0	\$45,253	\$114,186	\$68,933
Intergovernmental	0	0	0	73,485	91,365	17,880
Interest	0	0	0	0	0	0
Tuition and Fees	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Gifts and Donations	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Total Revenues	161,083	161,083	0	118,738	205,551	86,813
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	0	0	0	26,862	5,364	21,498
Special	0	0	0	0	0	0
Vocational	0	0	0	0	0	0
Other	0	0	0	0	0	0
Support Services:						
Pupils	0	0	0	0	0	0
Instructional Staff	0	0	0	95,274	94,626	648
Board of Education	0	0	0	0	0	0
Administration	0	0	0	18	0	18
Fiscal	0	0	0	7,407	7,261	146
Operation and Maintenance of Plant	0	0	0	0	0	0
Pupil Transportation	0	0	0	0	0	0
Central	0	0	0	0	0	0
Non-Instructional Services	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Capital Outlay	0	0	0	514,168	496,902	17,266
Debt Service:						
Principal Retirement	120,000	120,000	0	0	0	0
Interest and Fiscal Charges	41,083	41,083	0	0	0	0
Total Expenditures	161,083	161,083	0	643,729	604,153	39,576
Excess of Revenues Over (Under) Expenditures	0	0	0	(524,991)	(398,602)	126,389
<u>Other Financing Sources (Uses):</u>						
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Refund of Prior Year Expenditures	0	0	0	0	0	0
Advances In	0	0	0	0	50,000	50,000
Advances Out	0	0	0	0	(115,000)	(115,000)
Total Other Financing Sources (Uses)	0	0	0	0	(65,000)	(65,000)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0	(524,991)	(463,602)	61,389
Fund Balances at Beginning of Year	0	0	0	126,809	126,809	0
Prior Year Encumbrances Appropriated	0	0	0	398,182	398,182	0
Fund Balances at End of Year	\$0	\$0	\$0	\$0	\$61,389	\$61,389

See Accompanying Notes to the General Purpose Financial Statements

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$1,980,500	\$2,101,392	\$120,892
0	0	0	3,032,840	3,160,644	127,804
0	217	217	85,000	58,850	(26,150)
0	0	0	9,000	8,704	(296)
0	0	0	68,785	73,861	5,076
0	0	0	500	1,891	1,391
0	0	0	44,500	48,054	3,554
0	217	217	5,221,125	5,453,396	232,271
3,000	2,000	1,000	2,373,464	2,345,092	28,372
547	0	547	390,695	371,499	19,196
0	0	0	229,628	223,095	6,533
0	0	0	20,200	6,817	13,383
0	0	0	571,734	459,865	111,869
0	0	0	330,465	279,030	51,435
0	0	0	27,700	25,408	2,292
0	0	0	484,304	447,851	36,453
0	0	0	189,776	185,513	4,263
0	0	0	352,083	338,122	13,961
0	0	0	166,172	158,970	7,202
0	0	0	15,350	10,714	4,636
0	0	0	106,522	106,492	30
0	0	0	249,012	222,448	26,564
0	0	0	618,375	597,770	20,605
0	0	0	120,000	120,000	0
0	0	0	41,083	41,083	0
3,547	2,000	1,547	6,286,563	5,939,769	346,794
(3,547)	(1,783)	1,764	(1,065,438)	(486,373)	579,065
0	0	0	500	763	263
0	0	0	0	1,224	1,224
0	0	0	80,000	199,936	119,936
0	0	0	(15,000)	(199,936)	(184,936)
0	0	0	65,500	1,987	(63,513)
(3,547)	(1,783)	1,764	(999,938)	(484,386)	515,552
12,346	12,346	0	686,063	686,063	0
0	0	0	588,213	588,213	0
\$8,799	\$10,563	\$1,764	\$274,338	\$789,890	\$515,552

**COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

<u>Operating Revenues:</u>	
Sales	<u>\$205,732</u>
<u>Operating Expenses:</u>	
Salaries	58,953
Fringe Benefits	32,923
Purchased Services	3,926
Materials and Supplies	7,406
Cost of Sales	126,628
Depreciation	2,073
Other Operating Expenses	3,995
Total Operating Expenses	<u>235,904</u>
Operating Loss	<u>(30,172)</u>
<u>Non-Operating Revenues:</u>	
Federal Donated Commodities	23,794
Grants	49,128
Interest	622
Total Non-Operating Revenues	<u>73,544</u>
Net Income	43,372
Retained Earnings at Beginning of Year	<u>63,208</u>
Retained Earnings at End of Year	<u><u>\$106,580</u></u>

See Accompanying Notes to the General Purpose Financial Statements

**COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues:</u>			
Sales	\$192,800	\$204,093	\$11,293
Operating Grants	47,200	47,879	679
Interest	0	622	622
Total Revenues	<u>240,000</u>	<u>252,594</u>	<u>12,594</u>
<u>Expenses:</u>			
Salaries	60,000	58,313	1,687
Fringe Benefits	37,000	33,761	3,239
Purchased Services	4,382	3,651	731
Materials and Supplies	160,240	141,327	18,913
Capital Outlay	1,000	329	671
Other Expenses	4,500	4,036	464
Total Expenses	<u>267,122</u>	<u>241,417</u>	<u>25,705</u>
Excess of Revenues Over (Under) Expenses	(27,122)	11,177	38,299
Fund Balances at Beginning of Year	18,683	18,683	0
Prior Year Encumbrances Appropriated	8,439	8,439	0
Fund Balances at End of Year	<u>\$0</u>	<u>\$38,299</u>	<u>\$38,299</u>

See Accompanying Notes to the General Purpose Financial Statements

**COMBINED STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$204,093
Cash Payments for Salaries	(58,313)
Cash Payments for Fringe Benefits	(33,761)
Cash Payments to Suppliers for Goods and Services	(126,515)
Cash Payments for Other Expenses	(3,996)
Net Cash Used for Operating Activities	<u>(18,492)</u>
 <u>Cash Flows from Noncapital Financing Activities:</u>	
Cash Received from Grants	<u>47,879</u>
 <u>Cash Flows from Capital and Related Financing Activities:</u>	
Cash Payments for Fixed Assets	<u>(329)</u>
 <u>Cash Flows from Investing Activities:</u>	
Cash Received from Interest	<u>622</u>
 Net Increase in Cash and Cash Equivalents	 29,680
Cash and Cash Equivalents at Beginning of Year	<u>27,122</u>
Cash and Cash Equivalents at End of Year	<u><u>\$56,802</u></u>
 Reconciliation of Operating Loss to Net	
<u>Cash Used for Operating Activities:</u>	
Operating Loss	(\$30,172)
 Adjustments to Reconcile Operating Loss to Net	
<u>Cash Used for Operating Activities:</u>	
Depreciation	2,073
Donated Commodities Used During Year	23,794
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(1,639)
Increase in Prepaid Items	(3)
Increase in Inventory Held for Resale	(10,714)
Decrease in Materials and Supplies Inventory	312
Decrease in Accounts Payable	(1,947)
Increase in Accrued Wages and Benefits	51
Increase in Compensated Absences Payable	396
Decrease in Intergovernmental Payable	(643)
Net Cash Used for Operating Activities	<u><u>(\$18,492)</u></u>

See Accompanying Notes to the General Purpose Financial Statements



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

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Carey Exempted Village 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 1968. The School District serves an area of approximately sixty-four square miles. It is located in Wyandot and Seneca Counties. The School District is the 519<sup>th</sup> largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by thirty-seven classified employees, seventy-one certified teaching personnel, and five administrative employees who provide services to nine hundred thirty-three students and other community members. The School District currently operates one building which serves grades K through 12.

**Reporting Entity**

A reporting entity is composed 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 Carey Exempted Village School District, this includes general operations, food service, preschool, 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. There are no component units of the Carey Exempted Village School District.

The School District is associated with a jointly governed organization, two insurance pools, and a related organization. These organizations are the Tri-Rivers Educational Computer Association (TRECA), Ohio School Boards Association Workers' Compensation Group Rating Plan, Wyandot-Crawford Health Benefit Plan, and the Dorcas Carey Library. Information about these organizations is presented in Notes 18, 19, and 20 to the combined financial statements.

The School District's reporting entity includes the following:

**Our Lady of Consolation** - Within the School District's boundaries, Our Lady of Consolation is operated as a private Catholic school. Current State legislation provides funding to the parochial school. The monies are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. The financial activity is reflected in a special revenue fund of the School District.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Carey Exempted Village 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 enterprise funds provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

**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 of 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 and trust 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 expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Basis of Presentation - Fund Accounting (continued)**

**Governmental Fund Types: (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**

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 or trust 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 proprietary fund type:

**Enterprise Funds**

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

**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. These include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. The School District did not have any nonexpendable trust funds in fiscal year 1999. 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 proprietary funds or trust funds.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Basis of Presentation - Fund Accounting (continued)**

**Account Groups: (continued)**

**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 proprietary funds or trust funds.

**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 and the expendable trust fund 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.

The enterprise funds are accounted for using 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. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., 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 fund types, expendable trust 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: grants, investment earnings, tuition, and student fees.

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.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Measurement Focus and Basis of Accounting (continued)**

The accrual basis of accounting is utilized for reporting purposes by the enterprise funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**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 appropriation 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.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

The Early Childhood Preschool special revenue fund is a flow through grant in which the North Central Ohio Educational Service Center is the primary recipient. Budgetary information for this fund is not included within the School District's reporting entity for which the "appropriated budget" is adopted.

**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 Wyandot 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 fiscal 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 of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Budgetary Process (continued)**

**Estimated Resources (continued)**

The amounts reported in the budgetary statements reflect the amounts in the final amended certificate of estimated resources 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. 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 as 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, two supplemental appropriation resolutions were legally enacted.

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, except 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 fund types and the expendable trust fund and reported in the notes to the financial statements for the enterprise funds.

**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.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Cash and Investments**

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

Cash and cash equivalents held for the School District by the North Central Ohio Educational Service Center are included on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 1999, the School District's investments were limited to nonnegotiable certificates of deposit, which 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 \$67,401, which includes \$16,623 assigned from other School District funds.

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. Investments with an initial maturity of more than three months are reported as investments.

**E. 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 purchase and an expenditure is reported in the year in which services are consumed.

**F. Inventory**

Inventory in the governmental funds is stated at cost while inventory in the enterprise funds is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in the governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased. Reported materials 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. Inventory in the enterprise funds consists of donated food, purchased food, and school supplies held for resale and is expensed when used.

**G. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by State statute to be set aside for the purchase of textbooks and other instructional materials, and to create a reserve for budget stabilization. Restricted assets also include unexpended revenues restricted for the purchase of school buses.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. 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. Fixed assets utilized in the enterprise funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of two hundred dollars. The School District does not have any infrastructure.

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. Improvements to enterprise fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of twenty years.

**I. Interfund Assets/Liabilities**

Long-term loans are classified as "Advances to/Advances from Other Funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

**J. 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. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the 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. The School District records a liability for accumulated unused sick leave for all employees after ten years of service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the enterprise funds, the entire amount of compensated absences is reported as a fund liability.



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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**K. 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 liabilities 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 fiscal year end are considered not to have used current available financial resources. The long-term loan is reported as a liability in the general long-term obligations account group until due.

Long-term debt and other obligations financed by the enterprise funds are reported as liabilities in the appropriate fund.

Under Ohio law, a debt service fund may be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires reporting the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

**L. 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 property taxes, inventories of materials and supplies, textbooks, budget stabilization, bus purchase, advances, and encumbrances.

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

**M. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, entitlements, and shared revenues 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. Other than commodities, grants and entitlements for enterprise 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 Allocation

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**M. Intergovernmental Revenues (continued)**

**Non-Reimbursable Grants:**

**Special Revenue Funds**

- Auxiliary Service
- Local Professional Development
- Excellence in Education
- Education Management Information Systems
- Partnership 2000
- Eisenhower
- Title VI-B
- Title I
- Title VI
- Drug Free
- Early Childhood Preschool

**Capital Projects Funds**

- Vocational Education Equipment
- SchoolNet
- Technology Equity
- Textbook/Instructional Materials
- Emergency Building Repair

**Reimbursable Grants**

**General Fund**

- Driver Education

**Enterprise Funds**

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 58 percent of the revenues of the School District's governmental fund types during the 1999 fiscal year.

**N. 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.

**O. 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.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**P. 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.

**3. ACCOUNTABILITY**

At June 30, 1999, the Title VI-B and Title I special revenue funds and the Permanent Improvement capital projects fund had deficit fund balances of \$3,699, \$10,966, and \$360,633, respectively, which were 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.

**4. 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 (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - Enterprise Funds 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 the expendable trust fund, and as note disclosure in the enterprise funds (GAAP basis).
4. For the enterprise funds, the acquisition and construction of fixed assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on tax anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. The School District repays tax anticipation note principal and interest from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.
7. Although not part of the appropriated budget, the Early Childhood Preschool special revenue fund is included as part of the reporting entity when preparing financial statements that conform with GAAP.

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

**4. 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	\$136,653	(\$6,212)	\$8,753	(\$212,950)
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued FY 1998, Received in Cash FY 1999	204,059	858	0	23,153
Accrued FY 1999, Not Yet Received in Cash	(203,900)	0	(8,753)	(14,693)
Expenditure Accruals:				
Accrued FY 1998, Paid in Cash FY 1999	(583,343)	(37,539)	0	(88,988)
Accrued FY 1999, Not Yet Paid in Cash	550,226	41,572	0	16,324
Prepaid Items	192	195	0	0
Note Principal Retirement	0	0	(75,000)	0
Note Interest	0	0	(15,247)	0
Advances In	132,468	17,468	0	50,000
Advances Out	(67,468)	(17,468)	0	(115,000)
Excess of Revenues Under Expenditures for Nonbudgeted Funds	0	1,092	0	0
Reallocation of Financial Resources into Financial Statement Fund Types	0	0	90,247	(90,247)
Encumbrances Outstanding at Year End (Budget Basis)	(151,910)	(35,944)	0	(31,201)
Budget Basis	\$16,977	(\$35,978)	\$0	(\$463,602)

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

**4. BUDGETARY BASIS OF ACCOUNTING (continued)**

Net Income/Excess of Revenues Over Expenses  
Enterprise Funds

GAAP Basis	\$43,372
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 1998, Received in Cash FY 1999	9,159
Accrued FY 1999, Not Yet Received in Cash	(12,047)
Expense Accruals:	
Accrued FY 1998, Paid in Cash FY 1999	(37,066)
Accrued FY 1999, Not Yet Paid in Cash	34,923
Prepaid Items	(3)
Inventory Held for Resale	(10,714)
Materials and Supplies Inventory	312
Acquisition of Fixed Assets	(329)
Depreciation Expense	2,073
Encumbrances Outstanding At Year End (Budget Basis)	(18,503)
Budget Basis	<hr style="border: 1px solid black;"/> <u>\$11,177</u>

**5. 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.

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

**5. DEPOSITS AND INVESTMENTS (continued)**

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

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

Protection of 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 monies deposited with the institution.

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

1. United States Treasury bills, bonds, notes, 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 obligation or security 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 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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.

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

**5. 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.

At fiscal year end, the School District had \$58 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

At fiscal year end, the School District had \$360 in cash and cash equivalents held by the North Central Ohio Educational Service Center. This amount is included on the balance sheet as "Cash and Cash Equivalents with Fiscal Agent". The Educational Service Center holds this flow through grant money for the School District together with that of other school districts and therefore the School District cannot classify this money by risk under GASB Statement No. 3.

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".

At fiscal year end, the carrying amount of the School District's deposits was \$1,178,599 and the bank balance was \$1,321,056. Of the bank balance, \$256,153 was covered by federal depository insurance and \$1,064,903 was uninsured and uncollateralized. Although 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 FDIC.

**6. PROPERTY TAXES**

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

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

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

**6. PROPERTY TAXES (continued)**

The School District receives property taxes from Wyandot and Seneca Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 1999, 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, public utility property, and tangible personal property 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. The amount available as an advance at June 30, 1999, was \$179,247 in the General Fund, \$8,753 in the Debt Service fund and \$14,693 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 1998, was \$186,447 in the General Fund and \$23,153 in the Permanent Improvement capital projects fund.

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	\$42,534,650	73.63%	\$48,046,520	75.35%
Public Utility	142,630	0.25	150,150	0.24
Tangible Personal	15,091,080	26.12	15,563,600	24.41
Total Assessed Value	<u>\$57,768,360</u>	<u>100.00%</u>	<u>\$63,760,270</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$53.80		\$53.80	

**7. RECEIVABLES**

Receivables at June 30, 1999, consisted of property taxes, accounts (student fees), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards. Accounts receivable at June 30 were \$7,633. Intergovernmental receivables consisted of \$400 in the General fund for driver education and \$6,154 in the Food Service enterprise fund for state/federal school lunch reimbursement.

**8. FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$76,514
Less Accumulated Depreciation	<u>(46,949)</u>
Net Fixed Assets	<u>\$29,565</u>



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

**8. FIXED ASSETS (continued)**

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

Asset Category	Balance at 6/30/98	Additions	Reductions	Balance at 6/30/99
Land	\$28,575	\$0	\$0	\$28,575
Buildings	1,721,424	0	0	1,721,424
Improvements	2,231,763	498,815	0	2,730,578
Furniture, Fixtures, and Equipment	1,451,689	156,016	110,667	1,497,038
Books	376,672	16,954	0	393,626
Vehicles	519,435	1,766	31,342	489,859
<b>Totals</b>	<b>\$6,329,558</b>	<b>\$673,551</b>	<b>\$142,009</b>	<b>\$6,861,100</b>

**9. INTERFUND TRANSACTIONS**

At June 30, 1999, the General Fund had an advance to other funds and the Permanent Improvement capital projects fund had an advance from other funds, in the amount of \$168,561.

**10. 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 for the following insurance coverages:

Coverages provided by Nationwide Insurance are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$14,566,000
Inland Marine Coverage (\$250 deductible)	250,000
General Liability	
Per Occurrence	1,000,000
Total per Year	5,000,000
Umbrella Coverage	
Per Occurrence	2,000,000
Total per Year	5,000,000
Automobile Liability (\$500 deductible)	2,000,000
Uninsured Motorists (\$500 deductible)	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from last year.

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

**10. RISK MANAGEMENT (continued)**

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The intent of the Plan 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 Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. 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 Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the program.

The School District participates in the Wyandot-Crawford Health Benefit Plan (the Plan), a public entity shared risk pool consisting of five school districts. The School District pays monthly premiums to the Plan for medical, dental, and life insurance coverage. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, the participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**11. DEFINED BENEFIT PENSION PLANS**

**A. 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 administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 1999. For fiscal year 1998, 10.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation 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 contribution for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997, were \$157,457, \$264,426, and \$257,277, respectively; 83 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. The unpaid contribution for fiscal year 1999, in the amount of \$26,760, is recorded as a liability within the respective funds.

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

**11. DEFINED BENEFIT PENSION PLANS (continued)**

**B. 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 administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 7.7 percent was the portion used to fund pension obligations for fiscal year 1999. For fiscal year 1998, 9.02 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997, were \$42,835, \$46,575, and \$46,976, respectively; 35.55 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. The unpaid contribution for fiscal year 1999, in the amount of \$27,608, is recorded as a liability within the respective funds and the general long-term obligations account group.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 1999, none of the Board of Education members have elected Social Security.

**12. 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 classified 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 obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 1999, the 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 \$209,943 for fiscal year 1999.

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

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

**12. POSTEMPLOYMENT BENEFITS (continued)**

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

For this fiscal year, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$54,790 for fiscal year 1999.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575, and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**13. EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components is derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per 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 a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred days for all school personnel. Upon retirement, payment is made for 27.5 percent of their accrued, but unused sick leave credit to a maximum of 55 days.

**B. Health Care Benefits**

The School District offers medical, dental, and life insurance to most employees through the Wyandot-Crawford Health Benefit Plan. The School District offers cancer insurance to its employees through American Family Life or Capital American Life. Premiums vary for each employee depending on the terms of the union contracts.

**14. NOTES PAYABLE**

On February 11, 1997, the School District issued tax anticipation notes, in the amount of \$402,835 and at a rate of 5.09 percent, for renovations to the existing building including plumbing, heating, and electrical improvements. The notes were issued under the authority of Chapter 133 of the Ohio Revised Code for a five year period, with final maturity during fiscal year 2002. During fiscal year 1999, principal, in the amount of \$75,000, was retired. The outstanding balance at June 30, 1999, was \$257,835.

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

**14. NOTES PAYABLE (continued)**

Principal and interest requirements to retire tax anticipation notes outstanding at June 30, 1999, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	\$80,000	\$11,272	\$91,272
2001	85,000	6,990	91,990
2002	92,835	2,402	95,237
	<u>\$257,835</u>	<u>\$20,664</u>	<u>\$278,499</u>

**15. LONG-TERM OBLIGATIONS**

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

	Balance at 6/30/98	Additions	Reductions	Balance at 6/30/99
Compensated Absences Payable	\$409,730	\$37,538	\$0	\$447,268
Intergovernmental Payable	45,534	46,860	45,534	46,860
Energy Conservation Loan Payable	490,000	0	45,000	445,000
Total General Long-Term Obligations	<u>\$945,264</u>	<u>\$84,398</u>	<u>\$90,534</u>	<u>\$939,128</u>

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

**1996 Energy Conservation Loan** - On October 24, 1996, the School District obtained a loan, in the amount of \$530,000, to provide energy conservation measures for the School District. The loan was obtained for a ten year period, with final maturity during fiscal year 2007. The loan is being retired through the debt service fund.

The School District's overall debt margin was \$5,480,589 with an unvoted debt margin of \$63,760 at June 30, 1999.

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

**15. LONG-TERM OBLIGATIONS (continued)**

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	\$45,000	\$23,410	\$68,410
2001	45,000	20,863	65,863
2002	50,000	18,239	68,239
2003	55,000	15,338	70,338
2004	60,000	12,190	72,190
2005-2007	190,000	16,315	206,315
	<u>\$445,000</u>	<u>\$106,355</u>	<u>\$551,355</u>

**16. RESERVATIONS OF FUND BALANCE**

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

The School District also receives resources from the State of Ohio which are restricted by State law to the purchase of school buses. The balance of this allocation is also reflected as a reservation of fund balance in the General Fund at fiscal year end.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 1999 as well as the balance of the bus purchase allocation.

	Textbooks	Capital Improvements	Budget Stabilization	Total
Balance June 30, 1998	\$0	\$0	\$27,287	\$27,287
Current Year Set Aside Requirement	72,963	72,963	36,482	182,408
Current Year Offsets	(13,307)	(2,082)	0	(15,389)
Qualifying Expenditures	(52,265)	(70,881)	0	(123,146)
Balance June 30, 1999	<u>\$7,391</u>	<u>\$0</u>	<u>\$63,769</u>	71,160
Amount Restricted for Bus Purchase				<u>26,674</u>
Total Restricted Assets				<u>\$97,834</u>

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

**16. RESERVATIONS OF FUND BALANCE (continued)**

Amounts of offsets and qualifying expenditures 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 expenditures during the year, by rule, these amounts may not be used to reduce the set aside requirements of future years and are therefore not presented.

**17. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Carey Exempted Village School District as of and for the fiscal year ended June 30, 1999.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$173,334	\$32,398	\$205,732
Depreciation Expense	2,073	0	2,073
Operating Income (Loss)	(46,907)	16,735	(30,172)
Federal Donated Commodities	23,794	0	23,794
Operating Grants	49,128	0	49,128
Net Income	26,637	16,735	43,372
Fixed Asset Additions	329	0	329
Net Working Capital	30,903	52,489	83,392
Total Assets	87,851	56,147	143,998
Total Equity	54,091	52,489	106,580
Encumbrances Outstanding at Year End (Budget Basis)	11,240	7,263	18,503

**18. JOINTLY GOVERNED ORGANIZATION**

**Tri-Rivers Educational Computer Association**

The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Marion, Morrow, Delaware, and Wyandot 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 TRECA consists of two representatives from each county elected by majority vote of all charter member school districts within each county. Financial information can be obtained from Mike Carder, who serves as Director, 2222 Marion-Mt. Gilead Road, Marion, Ohio 43302.

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

**19. INSURANCE POOLS**

**A. Ohio School Boards Association Workers' Compensation Group Rating Plan**

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The Plan'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 Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

**B. Wyandot-Crawford Health Benefit Plan**

The Wyandot-Crawford Health Benefit Plan (the Plan) is a public entity shared risk pool consisting of five school districts. The Plan is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and life insurance benefits to employees of the participating school districts. Each participating school district's superintendent is appointed to the Board of Directors which advises the Trustee, Huntington Trust Company, N.A., concerning aspects of the administration of the Plan.

Each school district decides which benefit program offered by the Plan will be extended to its employees. Participation in the Plan is by written application subject to acceptance by the Board of Directors and payment of the monthly premiums. Financial information can be obtained from Elaine Schafly, Account Manager, 229 Huber Village Boulevard, Westerville, Ohio 43081-5325.

**20. RELATED ORGANIZATION**

**Dorcas Carey Library**

The Dorcas Carey Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Carey Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Dorcas Carey Library, Laura Toland, Clerk/Treasurer, 236 East Findlay Street, Carey, Ohio 43316.

**21. SCHOOL FOUNDATION PROGRAM**

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 the system. Declared unconstitutional was the State's "School Foundation Program", which provides significant monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$2,574,249 of school foundation support for its General Fund.



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

**21. SCHOOL FOUNDATION PROGRAM (continued)**

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State Legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of these financial statements, 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 Court of Common Pleas declared unconstitutional.

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

**22. 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 School District's operations.

The 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 for conducting School District operations. The School District has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting.

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

The State processes a significant amount of financial and non-financial information about the School District through the State's Education Management and Information System (EMIS). Further, the State of Ohio distributes resources to the School District in the form of "foundation payments" and federal and state grant payments. The State is responsible for remediating these systems and for any costs associated with this project.

Wyandot and Seneca Counties collect property taxes for distribution to the School District. The counties are responsible for remediating the tax collection systems and for any costs associated with the tax collection systems.

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 School District is, or will be, year 2000 ready; that the School District's remediation efforts will be successful in whole or in part; or that parties with whom the School District does business will be year 2000 ready.

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

**23. 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**

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



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

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

Carey Exempted Village School District  
Wyandot County  
357 East South Street  
Carey, Ohio 43316

To the Board of Education:

We have audited the general purpose financial statements of the Carey Exempted Village School District, Wyandot County, Ohio (the District) as of and for the year ended June 30, 1999 and have issued our report thereon dated December 16, 1999. 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 general purpose 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*.

### 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 general purpose 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 general purpose 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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 16, 1999.

Carey Exempted Village School District  
Wyandot County  
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 Board of Education and management, and is not intended to be and should not be used by anyone other than these specified parties.

**JIM PETRO**  
Auditor of State

December 16, 1999



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT**

**WYANDOT 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 25, 2000**