



**CENTRAL LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Central Local School District
Defiance County
6289 US Highway 127
Sherwood, Ohio 43556-9735

To the Board of Education:

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

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

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

As discussed in Note 20 to the general-purpose financial statements the District changed its method of accounting for its Rotary Funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2000, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Jim Petro
Auditor of State

January 20, 2000

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**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 1,935,687	\$ 153,730	\$ 75,678	\$ 217,533
Cash and Cash Equivalents:				
With Fiscal Agents		3,450		
Receivables:				
Taxes	2,113,572			44,006
Accounts	5,128	148		
Intergovernmental	5,134	12,412		
Interfund Receivable	82,652			
Materials and Supplies Inventory	106,225			
Prepaid Items	8,229			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	39,054			
Fixed Assets (Net of Accumulated Depreciation, Where Applicable)				
Other Debits:				
Provided from General Government Resources				
Total Assets and Other Debits	\$ 4,295,681	\$ 169,740	\$ 75,678	\$ 261,539
LIABILITIES, EQUITY, AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$ 21,474	\$ 412	\$ 0	\$ 106
Contracts Payable	76,476			56,901
Accrued Wages and Benefits	534,538	8,014		
Interfund Payable		4,580		78,072
Compensated Absences Payable	79,053			
Intergovernmental Payable	94,447	1,945		
Due to Students				
Deferred Revenue	1,718,910			39,639
Total Liabilities	2,524,898	14,951	0	174,718
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	187,271	38,708		59,368
Reserved for Inventory	106,225			
Reserved for Prepaid Items	8,229			
Reserved for Advances	82,652			
Reserved for Property Taxes	158,666			4,204
Reserved for Endowment				
Reserved for Textbooks and Instructional Materials	7,042			
Reserved for Capital Improvements	6,212			
Reserved for Budget Stabilization	25,800			
Unreserved, Undesignated	1,188,686	116,081	75,678	23,249
Total Fund Equity and Other Credits	1,770,783	154,789	75,678	86,821
Total Liabilities, Fund Equity and Other Credits	\$ 4,295,681	\$ 169,740	\$ 75,678	\$ 261,539

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 54,567	\$ 46,661	\$ 0	\$ 0	\$ 2,483,856
				3,450
				2,157,578
54	141			5,471
7,622				25,168
				82,652
11,786				118,011
				8,229
				39,054
23,181		7,425,960		7,449,141
			945,291	945,291
\$ 97,210	\$ 46,802	\$ 7,425,960	\$ 945,291	\$ 13,317,901
\$ 1,925	\$ 5,223	\$ 0	\$ 0	\$ 29,140
				133,377
10,345				552,897
				82,652
14,213			891,984	985,250
13,457			53,307	163,156
	37,187			37,187
7,627				1,766,176
47,567	42,410	0	945,291	3,749,835
		7,425,960		7,425,960
194				194
49,449				49,449
				285,347
				106,225
				8,229
				82,652
				162,870
	2,000			2,000
				7,042
				6,212
				25,800
	2,392			1,406,086
49,643	4,392	7,425,960	0	9,568,066
\$ 97,210	\$ 46,802	\$ 7,425,960	\$ 945,291	\$ 13,317,901

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

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Intergovernmental	\$ 3,759,345	\$ 193,403
Interest	133,144	5,477
Tuition and Fees	4,395	
Extracurricular Activities		107,560
Rent	1,366	
Gifts and Donations	3,000	15,022
Customer Services	1,115	9,001
Income Tax	659,534	
Property and Other Local Taxes	1,703,052	
Miscellaneous	3,599	33,854
Total Revenues	6,268,550	364,317
Expenditures:		
Current:		
Instruction:		
Regular	2,884,162	25,045
Special	371,530	92,037
Vocational	185,692	
Other	11,066	
Support Services:		
Pupils	138,053	44,002
Instructional Staff	105,131	11,735
Board of Education	13,098	
Administration	805,657	34,733
Fiscal	166,415	254
Business	42,914	
Operation and Maintenance of Plant	446,054	180
Pupil Transportation	568,721	
Central	91,075	8,040
Non-Instructional Services		1,730
Extracurricular activities	190,342	157,892
Capital Outlay	198,210	
Debt Service		
Debt Service - Principal		
Debt Service - Interest		
Total Expenditures	6,218,120	375,648
Excess of Revenues Over (Under) Expenditures	50,430	(11,331)
Other Financing Sources (Uses):		
Proceeds from Sale of Fixed Assets	431	
Other Financing Sources	7,079	6,314
Operating Transfers In		1,569
Other Financing Uses	(50)	
Total Other Financing Sources (Uses)	7,460	7,883
Excess of Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	57,890	(3,448)
Fund Balance at Beginning of Year	1,712,893	158,237
Fund Balance at End of Year	\$ 1,770,783	\$ 154,789

The notes to the general-purpose financial statements are an integral part of this statement.

Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$ 0	\$ 529,767	\$ 0	\$ 4,482,515
			138,621
			4,395
			107,560
			1,366
		376	18,398
			10,116
	44,991		659,534
		3,173	1,748,043
			40,626
<u>0</u>	<u>574,758</u>	<u>3,549</u>	<u>7,211,174</u>
	104,051		3,013,258
	1,408		464,975
			185,692
			11,066
	5,584		187,639
	2,024		118,890
			13,098
	6,000		846,390
	731		167,400
			42,914
			446,234
			568,721
	765	3,820	103,700
			1,730
			348,234
	539,698		737,908
55,000			55,000
1,478			1,478
<u>56,478</u>	<u>660,261</u>	<u>3,820</u>	<u>7,314,327</u>
<u>(56,478)</u>	<u>(85,503)</u>	<u>(271)</u>	<u>(103,153)</u>
	63		431
			13,456
			1,569
			(50)
<u>0</u>	<u>63</u>	<u>0</u>	<u>15,406</u>
(56,478)	(85,440)	(271)	(87,747)
132,156	172,261	2,581	2,178,128
<u>\$ 75,678</u>	<u>\$ 86,821</u>	<u>\$ 2,310</u>	<u>\$ 2,090,381</u>

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

	General		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 3,937,939	\$ 3,853,484	\$ (84,455)
Interest	130,000	138,326	8,326
Tuition and Fees	6,100	4,395	(1,705)
Rent	2,000	1,366	(634)
Extracurricular Activities			
Gifts and Donations	15,000	3,000	(12,000)
Customer Services	1,060	1,115	55
Income Tax	600,000	649,303	49,303
Property and Other Local Taxes	1,884,028	1,900,731	16,703
Miscellaneous	12,900	3,762	(9,138)
Total Revenues	6,589,027	6,555,482	(33,545)
Expenditures:			
Current:			
Instruction:			
Regular	3,146,671	2,994,875	151,796
Special	443,587	372,586	71,001
Vocational	195,324	188,844	6,480
Adult/Continuing	2,281	2,281	-
Other	20,584	15,617	4,967
Support Services:			
Pupils	183,916	141,207	42,709
Instructional Staff	137,416	111,681	25,735
Board of Education	20,476	15,192	5,284
Administration	1,044,081	810,854	233,227
Fiscal	202,493	169,894	32,599
Business	135,570	43,911	91,659
Operation and Maintenance of Plant	743,127	450,116	293,011
Pupil Transportation	724,620	644,814	79,806
Central	107,519	85,958	21,561
Extracurricular activities	218,251	186,943	31,308
Capital Outlay	863,099	252,908	610,191
Debt Service:			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	8,189,015	6,485,400	1,703,615
Excess of Revenues Over (Under) Expenditures	(1,599,988)	70,082	1,670,070
Other Financing Sources (Uses)			
Operating Transfers In			
Proceeds from Sale of Fixed Assets	2,300	431	(1,869)
Refund of Prior Year Expenditures	8,000	3,670	(4,330)
Advances In	86,662	86,662	0
Other Financing Sources	900	750	(150)
Operating Transfers Out			
Refund of Prior Year Receipts	(50)	(50)	-
Advances Out	(82,652)	(82,652)	-
Total Other Financing Sources (Uses)	15,160	8,811	(6,349)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,584,828)	78,893	1,663,721
Fund Balances at Beginning of Year	1,416,138	1,416,138	
Prior Year Encumbrances Appropriated	194,489	194,489	
Fund Balances at End of Year	\$ 25,799	\$ 1,689,520	\$ 1,663,721

Special Revenue		
Budget	Actual	Variance: Favorable (Unfavorable)
\$ 118,043	\$ 91,444	\$ (26,599)
4,800	5,477	677
169,872	107,412	(62,460)
26,850	15,022	(11,828)
19,500	9,001	(10,499)
37,060	33,854	(3,206)
376,125	262,210	(113,915)
45,484	45,155	329
73,501	59,411	14,090
8,451	3,754	4,697
76,804	38,190	38,614
254	254	0
8,625	8,386	239
242,990	170,233	72,757
55,000	55,000	0
1,478	1,478	0
456,109	325,383	130,726
(79,984)	(63,173)	16,811
1,569	1,569	0
447	1,408	961
	4,580	4,580
7,500	4,932	(2,568)
(47)		47
9,469	12,489	3,020
(70,515)	(50,684)	19,831
149,642	149,642	0
15,654	15,654	0
\$ 94,781	\$ 114,612	\$ 19,831

Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0
0	0	0
55,000	55,000	0
1,478	1,478	0
56,478	56,478	0
(56,478)	(56,478)	0
0	0	0
(56,478)	(56,478)	0
132,157	132,157	0
\$ 75,679	\$ 75,679	\$ 0

(Continued)

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

	Capital Projects		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 609,213	\$ 529,767	\$ (79,446)
Interest			
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Customer Services			
Income Tax			
Property and Other Local Taxes	42,959	43,681	722
Miscellaneous			
Total Revenues	<u>652,172</u>	<u>573,448</u>	<u>(78,724)</u>
Expenditures:			
Current:			
Instruction:			
Regular	108,135	104,061	4,074
Special	1,653	1,408	245
Vocational			
Adult/Continuing			
Other			
Support Services:			
Pupils	7,508	5,584	1,924
Instructional Staff	2,393	2,024	369
Board of Education			
Administration	6,000	6,000	0
Fiscal	2,340	1,557	783
Business			
Operation and Maintenance of Plant			
Pupil Transportation			
Central	4,022	3,452	570
Extracurricular activities			
Capital Outlay	691,404	597,623	93,781
Debt Service:			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	<u>823,455</u>	<u>721,709</u>	<u>101,746</u>
Excess of Revenues Over (Under) Expenditures	<u>(171,283)</u>	<u>(148,261)</u>	<u>23,022</u>
Other Financing Sources (Uses)			
Operating Transfers In			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures		63	63
Advances In		78,072	78,072
Other Financing Sources			
Operating Transfers Out			
Refund of Prior Year Receipts			
Advances Out	(86,662)	(86,662)	0
Total Other Financing Sources (Uses)	<u>(86,662)</u>	<u>(8,527)</u>	<u>78,135</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(257,945)</u>	<u>(156,788)</u>	<u>101,157</u>
Fund Balances at Beginning of Year	127,859	127,859	0
Prior Year Encumbrances Appropriated	130,086	130,086	0
Fund Balances at End of Year	<u><u>\$ 0</u></u>	<u><u>\$ 101,157</u></u>	<u><u>\$ 101,157</u></u>

The notes to the general-purpose financial statements are an integral part of this statement.

Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 4,665,195	\$ 4,474,695	\$ (190,500)
40		(40)	134,840	143,803	8,963
			6,100	4,395	(1,705)
			2,000	1,366	(634)
800	376	(424)	169,872	107,412	(62,460)
			42,650	18,398	(24,252)
			20,560	10,116	(10,444)
			600,000	649,303	49,303
4,608	3,173	(1,435)	1,926,987	1,944,412	17,425
			54,568	40,789	(13,779)
5,448	3,549	(1,899)	7,622,772	7,394,689	(228,083)
			3,300,290	3,144,091	156,199
			518,741	433,405	85,336
			195,324	188,844	6,480
			2,281	0	2,281
			20,584	15,617	4,967
			199,875	150,545	49,330
			139,809	113,705	26,104
			20,476	15,192	5,284
			1,126,885	855,044	271,841
			205,087	171,705	33,382
			135,570	43,911	91,659
			743,127	450,116	293,011
			724,620	644,814	79,806
5,763	3,876	1,887	125,929	101,672	24,257
			461,241	357,176	104,065
			1,554,503	850,531	703,972
			55,000	55,000	0
			1,478	1,478	0
5,763	3,876	1,887	9,530,820	7,592,846	1,937,974
(315)	(327)	(12)	(1,908,048)	(198,157)	1,709,891
			1,569	1,569	0
			2,300	431	(1,869)
			8,447	5,141	(3,306)
			86,662	169,314	82,652
			8,400	5,682	(2,718)
			(47)	0	47
			(50)	(50)	0
			(169,314)	(169,314)	0
0	0	0	(62,033)	12,773	74,806
(315)	(327)	(12)	(1,970,081)	(185,384)	1,784,697
2,445	2,445	0	1,828,241	1,828,241	0
137	137	0	340,366	340,366	0
\$ 2,267	\$ 2,255	\$ (12)	\$ 198,526	\$ 1,983,223	\$ 1,784,697

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND EQUITY
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Revenues:			
Sales	\$ 284,058	\$ 0	\$ 284,058
Other Revenue	1,338		1,338
Total Operating Revenues	<u>285,396</u>	<u>0</u>	<u>285,396</u>
Operating Expenses:			
Salaries	109,122		109,122
Fringe Benefits	40,414		40,414
Purchased Services	9,176		9,176
Materials and Supplies	215,467		215,467
Depreciation	4,094		4,094
Other	6,019	100	6,119
Total Operating Expenses	<u>384,292</u>	<u>100</u>	<u>384,392</u>
Operating Loss	<u>(98,896)</u>	<u>(100)</u>	<u>(98,996)</u>
Non-Operating Revenues (Expenses):			
Federal Donated Commodities	39,780		39,780
Interest	670	102	772
Federal and State Subsidies	55,630		55,630
Other Revenues	230		230
Loss on Sale of Fixed Assets	(770)		(770)
Total Non-Operating Revenues (Expenses)	<u>95,540</u>	<u>102</u>	<u>95,642</u>
Net Income (Loss)	<u>(3,356)</u>	<u>2</u>	<u>(3,354)</u>
Fund Equity at Beginning of Year	52,805	2,080	54,885
Contributed Capital During the Year	194		194
Fund Equity at End of Year	<u>\$ 49,643</u>	<u>\$ 2,082</u>	<u>\$ 51,725</u>

The notes to the general-purpose financial statements are an integral part of this statement.

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
DECREASE IN CASH AND CASH EQUIVALENTS			
Cash Flows from Operating Activities:			
Cash Received from Sales	\$ 284,004	\$ 0	\$ 284,004
Other Cash Receipts	1,338		1,338
Cash Payments to Suppliers for Goods and Services	(167,682)		(167,682)
Cash Payments for Contract Services	(9,176)		(9,176)
Cash Payments for Employee Services	(97,123)		(97,123)
Cash Payments for Employee Benefits	(41,754)		(41,754)
Other Cash Payments	(6,019)	(100)	(6,119)
Net Cash Used for Operating Activities	(36,412)	(100)	(36,512)
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	48,008		48,008
Other Nonoperating Receipts	230		230
Net Cash Provided by Noncapital Financing Activities	48,238	0	48,238
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(7,374)		(7,374)
Cash Flows from Investing Activities:			
Interest on Investments	670	102	772
Net Increase in Cash and Cash Equivalents	5,122	2	5,124
Cash and Cash Equivalents at Beginning of Year	49,445	2,080	51,525
Cash and Cash Equivalents at End of Year	\$ 54,567	\$ 2,082	\$ 56,649
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES			
Operating Loss	\$ (98,896)	\$ (100)	\$ (98,996)
Adjustments to Reconcile Operating Loss To Net Cash Used for Operating Activities:			
Depreciation	4,094		4,094
Donated Commodities Used During the Year	39,780		39,780
Adjustments to Capital Outlay	638		638
(Increase) Decrease in Assets:			
Accounts Receivable	(50)		(50)
Material and Supplies Inventory	8,020		8,020
Increase (Decrease) in Liabilities:			
Compensated Absences Payable	14,213		14,213
Intergovernmental Payable	(2,354)		(2,354)
Deferred Revenue	(2,578)		(2,578)
Accounts Payable	1,925		1,925
Accrued Wages and Benefits	(1,204)		(1,204)
Total Adjustments	62,484	0	62,484
Net Cash Used for Operating Activities	\$ (36,412)	\$ (100)	\$ (36,512)
RECONCILIATION OF NONEXPENDABLE TRUST FUND CASH TO BALANCE SHEET			
Total Trust and Agency Fund Cash per Balance Sheet			\$ 46,661
Less: Expendable Trust and Agency Funds			(44,579)
Nonexpendable Trust Fund Cash			\$ 2,082

The Food Service Fund consumed donated commodities with a value of \$39,780.
The use of these commodities is reflected as an operating expense.

The notes to the general-purpose financial statements are an integral part of this statement.

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Central Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the District's four instructional/support facilities staffed by 47 non-certified and 82 certificated full time teaching personnel who provide services to 1,236 students and other community members.

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

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

The District is associated with organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Joint Vocational School, the Northern Buckeye Education Council's Employee Insurance Benefits Program, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14 and 16 to the general-purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

The District uses funds and account groups to report 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 District functions or activities.

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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 regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

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

1. Governmental Fund Types

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

General Fund - The general fund is the operating fund of the 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 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 for major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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).

2. Proprietary Fund Types

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

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.

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

3. Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The District's fiduciary funds include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term obligations 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 District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary 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 expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements 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, 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 District is sixty days after year end.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxpayer assessed income tax, interest, tuition, grants, and student fees.

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

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type and the nonexpendable trust fund. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The fair value of donated commodities used during the year is reported in 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 Data

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 legal level of budgetary control is at the object level within each function. 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 Eisenhower, Drug Free Schools, Preschool Disabilities and Title VI-B special revenue funds are pass through grants in which the Northwest Ohio Educational Service Center is the primary recipient. Budgetary information for these funds are not included within the District's reporting entity for which the "appropriated budget" is adopted, and the District does not maintain separate budgetary records.

1. 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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
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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 County Budget Commission for rate determination.

2. Estimated Resources

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

3. 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 must be 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 District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission.

Any revisions that alter the total of any fund appropriations or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

4. 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. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

5. Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation.

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

Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the Treasurer is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this pool account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

During fiscal year 1999, investments were limited to STAR Ohio and certificates of deposit. Nonnegotiable certificates of deposit are reported at cost. Investment earnings are allocated as authorized by State statute.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 1999.

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, district managed student activity fund, cafeteria fund, and nonexpendable trust fund during fiscal year 1999 amounted to \$133,144, \$5,477, \$670 and \$102, respectively.

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 District are considered to be cash equivalents. The District changed its method of reporting its proprietary fund statement cash flows from the indirect method to the direct method in fiscal year 1999.

E. 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 statute to be set-aside by the District to create a reserve for textbooks and instructional materials, capital improvements, and budget stabilization. See Note 19 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserve.

F. 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)

G. Inventory

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

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 proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. The District maintains a capitalization threshold of \$300 except for the cost of textbooks. This is based primarily on the uniqueness of these items to a school operation and an existing five-year textbook adoption policy.

Improvements are capitalized. 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. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of ten years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets. The District does not have any infrastructure.

I. Intergovernmental Revenues

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

Entitlements

General Fund
State Foundation Program
School Bus Purchase

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

Non-Reimbursable Grants

Special Revenue Funds

Title VI-B - Flow Through
Eisenhower Grant
Vocational Adult Farm Management
Title I
Title VI
Drug Free Schools
Preschool Disability Grant
Educational Management Information System
Professional Development
Textbook/Instructional Material Subsidy
Continuous Improvement Grant

Capital Projects Funds

School Net Plus
School Net Technology Grant
Technology Equity

Reimbursable Grants

General Fund

Driver Education
Carl E. Perkins Grant

Capital Projects Fund

Vocational Education Equipment
Ohio School Facilities Commission Emergency Repair Grant

Proprietary Funds

National School Lunch Program
Government Donated Commodities

J. Compensated Absences

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences". In conformity with GASB Statement No. 16, the District accrues vacation as earned by its employees if the leave is attributable to past service and it is probable that the District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement. Likewise, the District accrues for sick pay benefits as earned by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future. These compensated absences are measured using the rates in effect at June 30, 1999.

For governmental funds, the District provides a liability for unpaid accumulated sick leave and vacation time for eligible employees in the period the employees become eligible to receive payment. The current portion of unpaid compensated absences is the amount to be paid using expendable available resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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in the General Long-Term Obligations Account Group. In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability.

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, claims and judgments, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. In general, amounts paid more than sixty days after year end are considered not to have been paid with current available financial resources. Bonds and capital leases are recognized as a liability of the general long-term obligations account group until due.

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

Under Ohio law, a debt retirement fund must be created and used for the payment of tax anticipation notes. Generally accepted accounting principles require the reporting of the liability in the funds that received the proceeds.

L. 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.

M. Fund Balance Reserves

The District reserves fund balance for amounts that are legally segregated for a specific purpose or which are not available for appropriation. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund equity reserves are established for encumbrances, inventory, prepaid items, advances, property taxes, endowment, textbook and instructional materials, capital improvements, and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

N. 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, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund elimination's have not been made in the aggregation of this data.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
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NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balance/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-Actual (Non-GAAP Budgetary Basis) All Governmental Fund Types and Expendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

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

The following table summarizes 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 and Similar Fiduciary Fund Types					
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$ 78,893	\$ (50,684)	\$ (56,478)	\$ (156,788)	\$ (327)
Revenue Accruals	(286,932)	102,107	0	1,310	0
Expenditure Accruals	(17,941)	(89,383)	0	(54,928)	0
Other Accruals	(1,351)	(4,606)	0	8,591	0
Encumbrances	285,221	39,118	0	116,375	56
GAAP Basis	\$ 57,890	\$ (3,448)	\$ (56,478)	\$ (85,440)	\$ (271)

NOTE 4 - CASH AND CASH EQUIVALENTS

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

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

Inactive deposits are public deposits 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.

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

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

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

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)

During fiscal year 1999, the District's investments were limited to STAR Ohio. During the fiscal year, all investments of the District had a maturity of two years or less.

Cash on Hand

At fiscal year end, the District had \$256 in undeposited cash on hand, which is included on the balance sheet of the District as part of "equity in pooled cash and cash equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits

At fiscal year end, the carrying amount of the District's deposits was \$2,159,458 and the bank balance was \$2,606,214. Of the bank balance, \$282,566 was covered by federal depository insurance, \$263,759 was collateralized by securities specifically pledged by the financial institution in the name of the District, and \$2,059,889 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments

The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the District's name. The District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Carrying Value	Fair Value
STAR Ohio	\$ 363,196	\$ 363,196

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

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	Cash and Cash Equivalents	Investments
GASB Statement 9	\$ 2,526,360	\$ 0
Cash with Fiscal Agents	(3,450)	0
Cash on Hand	(256)	0
Investments:		
Star Ohio	(363,196)	363,196
GASB Statement 3	\$ 2,159,458	\$ 363,196

NOTE 5 - 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 District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value. The assessed values upon which the fiscal year 1999 taxes are based as follows:

	Amount
Residential/Agricultural	\$ 54,611,830
Commercial/Industrial	1,879,180
Public Utility	12,686,730
General Personal Property	1,972,505
Total valuation	\$ 71,150,245

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.

The District receives property taxes from Defiance and Williams Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999 are available to finance 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, personal property and public utility taxes, which became measurable as of June 30, 1999. Although total

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JUNE 30, 1999
(Continued)

property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$162,870 and is recognized as revenue. \$158,666 was available to the general fund and \$4,204 was available to the capital projects fund.

NOTE 6 - INCOME TAX

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999, consisted of taxes, accounts and intergovernmental grants. 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. A summary of the principal receivables follows:

	Amounts
General Fund:	
Taxes	\$ 2,113,572
Accounts	5,128
Intergovernmental	5,134
Special Revenue Funds:	
Accounts	148
Intergovernmental	12,412
Capital Project Funds:	
Taxes	44,006
Enterprise Funds:	
Accounts	54
Intergovernmental	7,622
Trust and Agency Funds:	
Accounts	141
Total	\$ 2,188,217

NOTE 8 - FIXED ASSETS

A summary of the changes in General Fixed Assets Account Group is as follows:

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

	Balance 6/30/98	Additions	Deductions	Balance 6/30/99
Land and Land Improvements	\$ 40,819	\$ 632,469	\$ 0	\$ 673,288
Buildings	3,585,080	0	0	3,585,080
Furniture, fixtures, and equipment	2,468,502	56,569	55,909	2,469,162
Textbooks and library books	659,288	39,142	0	698,430
Total	<u>\$ 6,753,689</u>	<u>\$ 728,180</u>	<u>\$ 55,909</u>	<u>\$ 7,425,960</u>

A summary of changes in the Enterprise Fund fixed assets is as follows:

	Balance 6/30/98	Additions	Deductions	Balance 6/30/99
Furniture, fixtures, and equipment	\$ 95,550	\$ 7,435	\$ 860	\$ 102,125
Accumulated depreciation	(74,435)	(4,599)	(90)	(78,944)
Total	<u>\$ 21,115</u>	<u>\$ 2,836</u>	<u>\$ 770</u>	<u>\$ 23,181</u>

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1999, 9.79 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 District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$126,640, \$119,653, and \$115,775, respectively; 75 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$42,359 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement

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

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1998, the portion used to fund pension obligations was 12 percent. 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 District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$481,423, \$455,143, and \$429,148, respectively; 83 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$80,228 represents the unpaid contribution for fiscal year 1999, and is recorded as a liability within the respective funds.

C. Social Security System

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

NOTE 10 - POSTEMPLOYMENT BENEFITS

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions equal to 2 percent of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1998, the board allocated employer contributions equal to 3.5 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2,156 million on June 30, 1998. The Health Care Reserve Fund allocation for the year ended June 30, 1999 will be 8 percent of covered payroll.

For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000. There were 91,999 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of

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

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.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 1998, the allocation rate is 4.98 percent. 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 1998, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. 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, the Retirement System's net assets available for payment of health care benefits were \$160.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

The portion of District contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .3557, then adding the surcharge due as of June 30, 1998, as certified to the District by SERS.

NOTE 11 - OTHER EMPLOYEE BENEFITS

Compensated Absences

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees are entitled to vacation ranging from 10 to 20 days. Employees are permitted to carry over vacation leave earned for two succeeding years.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rated basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-third of the accumulated sick leave to a maximum of 55 days, except that those employees who elect to retire at the earliest permissible retirement date shall be paid one-third of the accumulated sick leave to a maximum of 100 days.

At June 30, 1999, the current amount of unpaid compensated absences and the balance of the liability in the General Long-Term Obligation Account Group was \$985,250.

NOTE 12 - LONG-TERM OBLIGATIONS

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

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

	Balance at June 30, 1998	Additions	Reductions	Balance at June 30, 1999
General Obligation Bonds Payable	\$ 55,000	\$ 0	\$ 55,000	\$ 0
Compensated Absences Payable	907,495	0	15,111	891,984
Intergovernmental Payable	39,452	13,855	0	53,307
Total	<u>\$ 1,001,947</u>	<u>\$ 13,855</u>	<u>\$ 70,511</u>	<u>\$ 945,291</u>

NOTE 13 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains three Enterprise Funds, which provide lunchroom/cafeteria, uniform school supply, and vocational education services. Segment information for the year ended June 30, 1999 was as follows:

	Food Service	Uniform School Supply	Vocational Education	Total Enterprise Funds
Operating Revenues	\$ 238,113	\$ 47,283	\$ 0	\$ 285,396
Depreciation	4,094	0	0	4,094
Operating Income (Loss)	(105,070)	6,174	0	(98,896)
Commodities	39,780	0	0	39,780
Operating Grants	55,630	0	0	55,630
Interest	670	0	0	670
Net Income (Loss)	(9,530)	6,174	0	(3,356)
Working Capital	16,309	9,823	330	26,462
Total Assets	87,057	9,823	330	97,210
Total Liabilities	47,567	0	0	47,567
Total Equity	39,490	9,823	330	49,643

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams 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. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were \$14,329. Financial information can be obtained from Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

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

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (the Council) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, and Williams Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Joint Vocational School

The Four County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center - one each from the counties of Defiance, Fulton, Henry, and Williams and one additional representative; one representative from each of the city school districts; one representative from each of the exempted village school districts. The Four County Joint Vocational School possesses its own budgeting and taxing authority. To obtain financial information write to the Four County Joint Vocational School, Michele Zeedyk, who serves as treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

NOTE 15 - RISK MANAGEMENT

A. Insurance

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90 percent coinsured.

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance plans. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 16). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating districts is

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

calculated as one experience and a common premium rate is applied to all districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

NOTE 16 - GROUP PURCHASING POOLS

A. NBEC Employee Insurance Benefits Program

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during this fiscal year were \$504,411. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. NBEC Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During this fiscal year, the District paid an enrollment fee of \$865 to the WCGRP to cover the costs of administering the program.

NOTE 17 – CONTRACTUAL COMMITMENTS

As of June 30, 1999, the District had the following contractual purchase commitments:

Company	Amount Remaining
Transportation Equipment Sales	\$ 26,944
Bielharz Architects	4,405
Dant-Clayton	50,000
Stanford Thal	1,288
Schum Plumbing and Heating	6,176
Total	\$ 88,813

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

NOTE 18 - INTERFUND TRANSACTIONS

Transfers and advances between funds during the year ended June 30, 1999, were as follows:

	Transfers In	Transfers Out
Special Revenue	\$ 1,569	\$ 0
Agency Funds	0	1,569
Total All Funds	<u>\$ 1,569</u>	<u>\$ 1,569</u>

Interfund balances at June 30, 1999, consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
General Fund	\$ 82,652	\$ 0
Special Revenue	0	4,580
Capital Projects	0	78,072
Total All Funds	<u>\$ 82,652</u>	<u>\$ 82,652</u>

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The 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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The District is also required to set aside money for budget stabilization.

The following cash basis information describes the change in the year-end set aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1998	\$ 0	\$ 0	\$ 25,800	\$ 25,800
Current Year Set-aside Requirement	100,564	100,564	0	201,128
Current Year Offsets	(17,890)	(43,681)	0	(61,571)
Qualifying Disbursements	(75,632)	(50,671)	0	(126,303)
Total	<u>\$ 7,042</u>	<u>\$ 6,212</u>	<u>\$ 25,800</u>	<u>\$ 39,054</u>
Cash Balance Carried Forward to FY 1999	<u>\$ 7,042</u>	<u>\$ 6,212</u>	<u>\$ 25,800</u>	<u>\$ 39,054</u>
Amount restricted for Textbooks				\$ 7,042
Amount restricted for Capital Acquisition				6,212
Amount restricted for Budget Stabilization				25,800
Total Restricted Assets				<u>\$ 39,054</u>

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

NOTE 20 - CHANGES IN FINANCIAL STATEMENT PRESENTATION

In prior years the District reported its Rotary Fund as an Internal Service Fund. Beginning in fiscal year 1999 the District correctly recorded its Rotary Fund activity as an Agency Fund.

At June 30, 1998, there was no accrual for income taxes receivable in the General Fund and the government donated commodities inventory in the Enterprise Fund had not been deferred.

The effect of these changes is as indicated below:

	General Fund	Enterprise	Internal Service
Fund Equity Originally Stated 6/30/98	\$ 1,493,083	\$ 63,010	\$ 2,686
Prior Period Adjustment	219,810	(10,205)	(2,686)
Restated Fund Equity 7/1/98	<u>\$ 1,712,893</u>	<u>\$ 52,805</u>	<u>\$ 0</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses Originally Stated 6/30/98	\$ 405,391	\$ 9,453	\$ 2,850
Prior Period Adjustment	219,810	(10,205)	(2,850)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Restated 7/1/98	<u>\$ 625,201</u>	<u>\$ (752)</u>	<u>\$ 0</u>

NOTE 21 - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$3,520,640 of school foundation support for its general fund.

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

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

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

NOTE 22 - YEAR 2000 ISSUE

The year 2000 issue is the result of shortcoming in many electronic data processing systems and other equipment that may affect the District's operations.

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)). The District's school building has heating, air conditioning and ventilation systems, which have efficiency utilization measures within the system. The District can manually override any computerized controls within the system.

The District contracts with the Northwest Ohio Computer Association (NWOCA) for its financial operations including financial reporting, payroll and employee benefits, and educational statistics reporting. NWOCA is responsible for remediating these systems.

Defiance and Williams Counties collect property taxes for distribution to the District. The Counties are responsible for remediating its tax collection system.

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

To the best of management's knowledge and belief, as of January 20, 2000, the District experienced no interruption of operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may arise, and parties with whom the District does business may also experience Year 2000 readiness issues that are as yet, unknown.

NOTE 23 - PENDING LITIGATION

On May 20, 1993, the District was named as a defendant in a wrongful death suit, which alleged negligence and sought unspecified monetary damages in excess of \$25,000. The District's liability insurance has a limit of one million dollars. This suit was settled in the Defiance County Common Pleas Court after fiscal year end. The settlement was within the limits of the District's insurance policy.

NOTE 24 - SUBSEQUENT EVENT

In August 1999, the District was awarded a \$6,383,019 state grant from the Ohio School Facilities Commission(OSFC) Exceptional Needs Pilot Program for the construction of a new elementary building. Conditional approval by the OSFC indicates the District's share of the project will be \$2,482,000. The District passed a levy issue on the November 1999 ballot for the issuance of bonds to cover its share of the project.

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

Central Local School District
Defiance County
6289 US Highway 127
Sherwood, Ohio 43556-9735

To the Board of Education:

We have audited the financial statements of Central Local School District, Defiance County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 20, 2000, in which we noted the District changed its method of accounting for its Rotary Funds. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated January 20, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 20, 2000.

Central Local School District
Defiance County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of management and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 20, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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CENTRAL LOCAL SCHOOL DISTRICT

DEFIANCE 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
FEBRUARY 8, 2000**