EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS 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

Edgerton Local School District
Williams County
324 North Michigan Avenue
Edgerton, Ohio 43517-9719

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Edgerton Local School District, Williams 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 the Edgerton Local School District, Williams County, 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 9, 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 9, 1999

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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:				
Equity in Pooled Cash and Cash Equivalents	$1,640,165	$50,689	$22,500	$83,709
Cash and Cash Equivalents:				
With Fiscal Agents		1,598		
Receivables:				
Taxes	1,351,782		55,746	35,641
Accounts	3,589	1,011		
Intergovernmental				
Accrued Interest	315			
Materials and Supplies Inventory	115,325			
Prepaid Items	1,673			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	50,129			
Fixed Assets				
Other Debits:				
Amount Available in Debt Service Fund				
Provided from General Government Resources				
Total Assets and Other Debits	**$3,162,978**	**$53,298**	**$78,246**	**$119,350**
Liabilities:				
Accounts Payable	$3,952			$8,574
Accrued Wages and Benefits	359,313	$5,846		
Compensated Absences Payable	5,892			
Intergovernmental Payable	51,995	795		
Due to Students				
Deferred Revenue	1,039,013		$51,100	32,670
Asbestos Removal Loan Payable				
General Obligation Bonds Payable				
Total Liabilities	1,460,165	6,641	51,100	41,244
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	66,195			16,339
Reserved for Inventory	115,325			
Reserved for Prepaid Items	1,673			
Reserved for Debt Service			22,500	
Reserved for Property Taxes	96,805		4,646	2,971
Reserved for Budget Stabilization	50,129			
Unreserved:				
Unreserved, Undesignated	1,372,686	46,657		58,796
Total Fund Equity and Other Credits	1,702,813	46,657	27,146	78,106
Total Liabilities, Fund Equity and Other Credits	**$3,162,978**	**$53,298**	**$78,246**	**$119,350**

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

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		
Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)
$14,358	$28,365			$1,839,786
				1,598
				1,443,169
636				5,236
5,457				5,457
				315
27,578				142,903
				1,673
				50,129
5,030		$5,469,515		5,474,545
			$22,500	22,500
			666,057	666,057
$53,059	**$28,365**	**$5,469,515**	**$688,557**	**$9,653,368**
	$100			$12,626
$11,718				376,877
9,295			$319,276	334,463
3,715			28,249	84,754
	28,265			28,265
5,737				1,128,520
			46,032	46,032
			295,000	295,000
30,465	28,365		688,557	2,306,537
		$5,469,515		5,469,515
22,594				22,594
				82,534
				115,325
				1,673
				22,500
				104,422
				50,129
				1,478,139
22,594		5,469,515		7,346,831
$53,059	**$28,365**	**$5,469,515**	**$688,557**	**$9,653,368**

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

	Governmental Fund Types	
	General	**Special Revenue**
Revenues:		
Intergovernmental	$2,134,267	$156,935
Interest	94,275	737
Tuition and Fees	7,794	
Extracurricular Activities		76,994
Income Tax	624,170	
Property and Other Local Taxes	1,496,241	
Miscellaneous	46,485	4,116
Total Revenues	4,403,232	238,782
Expenditures:		
Current:		
Instruction:		
Regular	1,914,773	33,188
Special	74,812	40,725
Vocational	135,888	
Other	11,857	
Support Services:		
Pupils	135,728	37,065
Instructional Staff	336,333	6,593
Board of Education	17,715	
Administration	375,794	5,021
Fiscal	200,411	
Operation and Maintenance of Plant	392,650	479
Pupil Transportation	185,862	
Central	15,682	
Non-Instructional Services		56,212
Extracurricular activities	115,825	72,001
Capital Outlay		
Debt Service:		
Principal		
Interest		
Total Expenditures	3,913,330	251,284
Excess of Revenues Over (Under) Expenditures	489,902	(12,502)
Other Financing Sources and Uses:		
Operating Transfers In		
Other Financing Sources	21,194	1,201
Operating Transfers Out	(22,500)	
Other Financing Uses	(17,093)	(300)
Total Other Financing Sources (Uses)	(18,399)	901
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	471,503	(11,601)
Fund Balance at Beginning of Year	1,231,310	58,258
Fund Balance at End of Year	**$1,702,813**	**$46,657**

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

Governmental Fund Types		
Debt Service	Capital Projects	Totals (Memorandum Only)
	$531,795	$2,822,997
	541	95,553
		7,794
		76,994
		624,170
$62,526	62,857	1,621,624
		50,601
62,526	595,193	5,299,733
	74,656	2,022,617
		115,537
		135,888
		11,857
		172,793
		342,926
		17,715
		380,815
	3,808	204,219
		393,129
		185,862
		15,682
		56,212
		187,826
	613,448	613,448
50,000		50,000
15,875		15,875
65,875	691,912	4,922,401
(3,349)	(96,719)	377,332
5,000		5,000
		22,395
		(22,500)
		(17,393)
5,000		(12,498)
1,651	(96,719)	364,834
25,495	174,825	1,489,888
$27,146	**$78,106**	**$1,854,722**

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

	General Fund			Special Revenue		
	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Intergovernmental	$1,837,300	$2,135,308	$298,008	$150,498	$151,151	$653
Interest	90,000	95,340	5,340	738	738	
Tuition and Fees	6,000	7,795	1,795			
Extracurricular Activities				64,172	75,983	11,811
Income Tax	600,000	624,170	24,170			
Property and Other Local Taxes	1,151,058	1,461,034	309,976			
Miscellaneous	15,000	45,098	30,098	2,543	4,116	1,573
Total Revenues	3,699,358	4,368,745	669,387	217,951	231,988	14,037
Expenditures:						
Current:						
Instruction:						
Regular	1,897,672	1,876,094	21,578	41,878	33,180	8,698
Special	83,685	73,084	10,601	50,549	40,997	9,552
Vocational	140,116	136,832	3,284			
Other	13,000	11,907	1,093			
Support Services:						
Pupils	140,505	138,522	1,983	37,065	37,065	
Instructional Staff	361,650	328,011	33,639	499	499	
Board of Education	42,163	22,908	19,255			
Administration	394,275	378,380	15,895	5,000	5,000	
Fiscal	198,840	195,489	3,351			
Operation and Maintenance of Plant	427,148	397,632	29,516			
Pupil Transportation	294,680	246,736	47,944			
Central	17,500	16,682	818			
Non-Instructional Services				57,533	57,486	47
Extracurricular activities	127,845	116,239	11,606	91,957	72,001	19,956
Capital Outlay	9,673		9,673			
Debt Service:						
Debt Service - Principal						
Debt Service - Interest						
Total Expenditures	4,148,752	3,938,516	210,236	284,481	246,228	38,253
Excess of Revenues Over (Under) Expenditures	(449,394)	430,229	879,623	(66,530)	(14,240)	52,290
Other Financing Sources and Uses:						
Operating Transfers In				948		(948)
Other Financing Sources		19,825	19,825	1,854	1,201	(653)
Operating Transfers Out	(746,244)	(22,500)	723,744			
Other Financing Uses	(17,093)	(17,093)		(300)	(300)	
Total Other Financing Sources (Uses)	(763,337)	(19,768)	743,569	2,502	901	(1,601)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,212,731)	410,461	1,623,192	(64,028)	(13,339)	50,689
Fund Balances at Beginning of Year	1,177,239	1,177,239		62,099	62,099	
Prior Year Encumbrances Appropriated	35,492	35,492		1,929	1,929	
Fund Balance at end of Year		**$1,623,192**	**$1,623,192**		**$50,689**	**$50,689**

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

Debt Service			Capital Projects			Totals (Memorandum Only)		
		Variance: Favorable			Variance: Favorable			Variance: Favorable
Budget	Actual	(Unfavorable)	Budget	Actual	(Unfavorable)	Budget	Actual	(Unfavorable)
			$522,245	$531,795	$9,550	$2,510,043	$2,818,254	$308,211
				541	541	90,738	96,619	5,881
						6,000	7,795	1,795
						64,172	75,983	11,811
						600,000	624,170	24,170
$60,875	$60,875		39,064	61,801	22,737	1,250,997	1,583,710	332,713
						17,543	49,214	31,671
60,875	60,875		561,309	594,137	32,828	4,539,493	5,255,745	716,252
			74,656	74,656		2,014,206	1,983,930	30,276
						134,234	114,081	20,153
						140,116	136,832	3,284
						13,000	11,907	1,093
						177,570	175,587	1,983
						362,149	328,510	33,639
						42,163	22,908	19,255
						399,275	383,380	15,895
			3,900	3,808	92	202,740	199,297	3,443
						427,148	397,632	29,516
						294,680	246,736	47,944
						17,500	16,682	818
						57,533	57,486	47
						219,802	188,240	31,562
			655,663	626,954	28,709	665,336	626,954	38,382
72,500	50,000	$22,500				72,500	50,000	22,500
15,875	15,875					15,875	15,875	
88,375	65,875	22,500	734,219	705,418	28,801	5,255,827	4,956,037	299,790
(27,500)	(5,000)	22,500	(172,910)	(111,281)	61,629	(716,334)	299,708	1,016,042
5,000	5,000					5,948	5,000	(948)
						1,854	21,026	19,172
						(746,244)	(22,500)	723,744
						(17,393)	(17,393)	
5,000	5,000					(755,835)	(13,867)	741,968
(22,500)		22,500	(172,910)	(111,281)	61,629	(1,472,169)	285,841	1,758,010
22,500	22,500		172,910	172,910		1,434,748	1,434,748	
						37,421	37,421	
	$22,500	**$22,500**		**$61,629**	**$61,629**		**$1,758,010**	**$1,758,010**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - PROPRIETARY FUND TYPE FOR THE YEAR ENDED JUNE 30, 1999

	Proprietary Fund Type
	Enterprise
Operating Revenues:	
Sales	$130,885
Operating Expenses:	
Salaries	53,906
Fringe Benefits	46,353
Purchased Services	238
Materials and Supplies	99,531
Depreciation	380
Other	752
Total Operating Expenses	201,160
Operating Loss	(70,275)
Non-Operating Revenues:	
Federal Donated Commodities	20,324
Interest	132
Federal and State Subsidies	33,912
Total Non-Operating Revenues	54,368
Loss Before Operating Transfers	(15,907)
Operating Transfers-In	17,500
Net Income	1,593
Retained Earnings at Beginning of Year	21,001
Retained Earnings at End of Year	**$22,594**

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

COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 1999

	Proprietary Fund Type
	Enterprise
Increase/(Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Sales	$131,509
Cash Payments to Suppliers for Goods and Services	(84,084)
Cash Payments for Contract Services	(238)
Cash Payments for Employee Services	(62,331)
Cash Payments for Employee Benefits	(36,269)
Other Cash Payments	(562)
Net Cash Used for Operating Activities	(51,975)
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	32,937
Operating Transfers In	17,500
Net Cash Provided by Noncapital Financing Activities	50,437
Cash Flows From Capital and Related Financing Activities:	
Acquisition of Capital Assets	(3,152)
Cash Flows from Investing Activities:	
Interest on Investments	132
Net Decrease in Cash and Cash Equivalents	(4,558)
Cash and Cash Equivalents at Beginning of Year	18,916
Cash and Cash Equivalents at End of Year	**$14,358**
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	($70,275)
Adjustments to Reconcile Operating Loss To Net Cash Used for Operating Activities:	
Depreciation	380
Loss on Disposal of Asset	190
Donated Commodities Used During the Year	20,324
(Increase) Decrease in Assets:	
Accounts Receivable	624
Material and Supplies Inventory	(3,166)
Increase (Decrease) in Liabilities:	
Compensated Absences Payable	623
Intergovernmental Payable	1,746
Deferred Revenue	(1,711)
Accrued Wages and Benefits	(710)
Total Adjustments	18,300
Net Cash Used for Operating Activities	**($51,975)**

The Food Service Fund consumed donated commodities with a value of $20,324.
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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NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Edgerton Local School District, Williams County, (the District) operates under a locally elected five-member board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. The board oversees the operations of the District's two instructional/support facilities.

The Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure 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. 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. The District does not have any component units.

The District is associated with five 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 13, 14 and 15 to the general-purpose financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The modified accrual basis of accounting is followed for Governmental and Agency Funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income determination. Under this basis of accounting:

1. Only current assets and current liabilities are generally included on their balance sheets.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Accounting (Continued)

3. Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year end.

   a. Revenue accrued at the end of the year included taxes, interest, student fees, and tuition.

   b. Property taxes measurable but not available as of June 30, 1999, and delinquent property taxes, whose availability is indeterminate, have been recorded as deferred revenues.

4. Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources, rather than in the period earned by employees.

   The Agency Funds are custodial in nature and do not present results of operations or have measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agent capacity.

   The Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. 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.

B. Fund Accounting

The District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reporting in other funds. The restrictions associated with each class of funds are as follows:

1. Governmental Funds

The funds through which most Board of Education functions are typically financed.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

1. Governmental Funds (Continued)

Debt Service Funds - The funds used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. According to the governmental accounting principles, the Debt Service Fund accounts for the payment of long-term debt for Governmental Funds only. Under Ohio law, the Debt Service Fund might also be used to account for the payment of debt for Proprietary Funds and the short-term debt of both Governmental and Proprietary Funds.

Capital Projects Funds - The funds 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. Fiduciary Funds

The funds used to account for assets not owned by the Board, but held for a separate entity.

Agency Funds - The funds used to account for assets held by the District as an agent.

3. Proprietary Funds

The funds used to account for Board activities that are similar to business operations in the private sector. Proprietary Funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund measurement focus is upon determination of net income, financial position and cash flows.

Enterprise Funds - The funds used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

3. Account Groups

General Fixed Assets - Fixed assets acquired or constructed for general governmental services are recorded as expenditures in the fund making the expenditures and capitalized at cost in the General Fixed Assets Account Group.

General Long-Term Obligations - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Accounting

Budgets are adopted on a cash basis.

The District is required by State statute to adopt an annual appropriation budget for all funds. The specific timetable is as follows:

1. Prior to January 15, the Treasurer submits 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. A public hearing is publicized and conducted to obtain taxpayers' comments. The purpose of this Budget document is to reflect the need for existing (or increased) tax rates.

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function and object level of expenditures, which are the legal levels of budgetary control.

4. By October 1, the annual appropriation measure for all funds is legally enacted by the Board of Education. The appropriation measure, by law, may not exceed the Certificate of Estimated Resources. The Certificate may be amended to include actual unencumbered balances at the June 30 fiscal year end or if projected increases or decreases in revenue are identified by the District during the year.

5. The District maintains budgetary control by not permitting expenditures to exceed appropriations within each fund, function and object without approval of the Board of Education. The Board permits management to make discretionary budgetary adjustments within each fund, which are approved by the Board on a monthly basis. Any adjustments that alter the total fund appropriation require specific action of the Board.

6. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

The District's budget (budget basis) for all funds accounts for certain transactions on a basis, which differs from generally, accepted accounting principles (GAAP basis). The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes.

2. Expenditures and expenses are recorded when paid in cash or encumbered for budget purposes as opposed to when the liability is incurred for GAAP purposes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Accounting (Continued)

An analysis of the difference between GAAP and budgetary basis for all governmental fund types for the year ended June 30, 1999 follows:

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses

	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	$410,461	$(13,339)		$(111,281)
Revenue Accruals	34,487	6,794	$1,651	1,056
Expenditure Accruals	(41,915)	(5,056)		(8,574)
Other Sources/Uses	1,369			
Encumbrances	67,101			22,080
GAAP Basis	$471,503	$(11,601)	$1,651	$(96,719)

D. Encumbrances

The District is required to use the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. 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 appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

E. Pooled Cash and Investments

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

During fiscal year 1999, investments were limited to STAR Ohio and repurchase agreements. Repurchase agreements are considered to be nonparticipating investment contracts and are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Pooled Cash and Investments (Continued)

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue was credited to the following funds in the following amounts: General Fund $94,275, Auxiliary Services Fund $737, Permanent Improvements Fund $541, and Food Service Fund $132.

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 original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 19 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

G. Inventory

Inventories are valued at the lower of cost (first in, first out) or market, and are determined by physical count. Inventory in Governmental Funds consists of expendable supplies held for consumption. The cost has been recorded as an expenditure at the time individual inventory items were purchased. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

H. Property, Plant and Equipment

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Improvements are capitalized. The cost 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 construction of general fixed assets is also not capitalized. Contributed fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than $500, 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. No depreciation is recognized for assets in General Fixed Assets Account Group. The District does not have any infrastructure.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Property, Plant and Equipment (Continued)

2. Proprietary Funds

Property plant and equipment reflected in the Proprietary Funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Contributed fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided for furniture, fixtures, and equipment on a straight line basis over an estimated useful life of ten years.

I. Intergovernmental Revenues

In Governmental Funds, entitlements and non-reimbursable grants are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations are recognized as revenue when measurable and earned. This District currently participates in various state and federal programs, categorized as follows:

<u>Entitlements</u>

<u>General Fund</u>
State Foundation Program

<u>Non-Reimbursable Grants</u>

<u>Special Revenue Funds</u>
Drug Free Grant
Title I Grant
Title VI Grant
Education Management Information Systems Grant (EMIS)
Auxiliary Services Grant
Professional Development Grant
Textbooks/Instructional Materials Subsidy Grant
Eisenhower Grant
Preschool Disability Grant

<u>Capital Projects Funds</u>
School Net Plus Grant
Technology Equity Grant
Emergency School Building Repair Grant

<u>Reimbursable Grants</u>

<u>General Fund</u>
Driver Education Reimbursement

<u>Enterprise Fund</u>
National School Lunch Program
Food Distribution Program

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund loans receivable and interfund loans payable.

K. Fund Balance Reserves

The 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, materials and supplies, debt service, budget stabilization, prepaid items, 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 money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

L. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This information is not comparable to a consolidation. Interfund-type eliminations have not been made in the combining of the data.

M. 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.

N. 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Compensated Absences (Continued)

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 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.

NOTE 3 – EQUITY IN POOLED CASH AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Treasurer 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 District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies 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 other obligations issued by any federal government agency; 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;

NOTE 3 – EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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 through eligible institutions; and

6. The Ohio State Treasurer's investment pool (STAR Ohio).

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 purchase 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.

Cash on Hand

At fiscal year end, the District had $100 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 (including Repurchase Agreements), and Reverse Repurchase Agreements".

Deposits

At fiscal year end, the carrying amount of the District's deposits was $4,672 and the bank balance was $79,799. The entire bank balance was covered by federal depository insurance.

Investments

The District's investments are categorized below to give an indication of the level of risk assumed by the entity at the year end. Category 1 includes investments that are insured and 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.

NOTE 3 – EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Investments (Continued)

The $1,845,000 and $40,143 carrying values in the State Treasurer's Investment Pool (STAR Ohio) and a repurchase agreement approximated the fair value at June 30, 1999. Amounts in STAR Ohio cannot be categorized for credit risk because no securities exist in physical or book entry form in the name of the District. The level or risk for amounts in the repurchase agreement is categorized as Category 2.

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, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." 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:

	Cash and Cash Equivalents	Investments
GASB Statement 9	$1,891,513	
Cash with Fiscal Agents	(1,598)	
Cash on Hand	(100)	
Investments:		
Repurchase Agreement	(40,143)	$40,143
STAR Ohio	(1,845,000)	1,845,000
GASB Statement 3	$4,672	$1,885,143

NOTE 4 – PROPERTY TAXES

Property taxes include amounts levied against real, public utility, and tangible property located within the District. All property is required to be reappraised every six years with a triennial update.

Real property taxes, excluding public utility property, are assessed at 35 percent of appraised market value. Pertinent real property tax dates are:

Collection Dates	January and July of the current year
Lien Date	January 1 of the year preceding the collection year
Levy Date	October 1 of the year preceding the collection year

Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value.

NOTE 4 – PROPERTY TAXES (Continued)

The taxes are based on assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Pertinent tangible personal property tax dates are:

Collection Dates	April and September of the current year
Lien Date	January 1 of the current year
Levy Date	October 1 of the year preceding the collection year

Most public utility tangible personal property currently is assessed at 35 percent of its true value. Pertinent public utility tangible personal property tax dates are:

Collection Dates	January and July of the current year
Lien Date	December 31 of the second year preceding the collection year
Levy Date	October 1 of the year preceding the collection year

The Williams and Defiance County Treasurers collect real estate property taxes on behalf of all taxing districts within the Counties. The County Auditors periodically remit to the District its portion of the taxes collected with final settlement in March and September.

The Williams and Defiance County Treasurers collect personal property taxes on behalf of all taxing districts within the Counties. The County Auditors periodically remit to the District its portion of the taxes collected with final settlement in May and October.

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 1999. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion which is available to advance as of June 30, 1999.

The assessed values of properties upon which property tax revenues were based are as follows:

	Amount
Agricultural/Residential	$35,242,820
Commercial/Industrial	4,904,560
Public Utility	6,312,280
General Personal Property	8,569,480
Total valuation	$55,029,140

NOTE 5 – FIXED ASSETS

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

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	$55,874			$55,874
Land and Land Improvements	114,614			$114,614
Buildings	2,553,260	$548,131		3,101,391
Furniture, Fixtures, and Equipment	1,406,963	191,998	$33,171	1,565,790
Textbooks and Library Books	699,361	51,956	63,597	687,720
Totals	$4,774,198	$792,085	$96,768	$5,469,515

NOTE 5 – FIXED ASSETS (Continued)

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

Asset Category	Balance at 6/30/99
Furniture and Equipment	$20,025
Less: Accumulated Depreciation	(14,995)
Totals	$5,030

NOTE 6 – 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:

	Balance at 6/30/98	Additions	Deductions	Balance at 6/30/99
General Obligation Bonds	$340,000		$45,000	$295,000
EPA Asbestos Notes	51,032		5,000	46,032
Total Long-Term Bonds and Notes	391,032		50,000	341,032
Intergovernmental Payable	26,752	$1,497		28,249
Compensated Absences	352,362		33,086	319,276
Total Long-Term Obligations	$770,146	$1,497	$83,086	$688,557

Debt outstanding at June 30, 1999, consisted of School Energy conservation Bonds totaling $295,000 and an Asbestos Abatement Note totaling $46,032 (interest rates were 5% for bonds and the note was free of interest). The bonds were issued in August 1996 and will mature in September 2005. The note was issued in June 1991 and will mature in November 2008.

Total expenditures for interest toward the school improvement bonds for the period ended June 30, 1999 was $15,875.

The scheduled payments of principal and interest on debt outstanding at June 30, 1999 are as follows:

Years	Principal	Interest	Total
2000	$50,000	$13,625	$63,625
2001	50,000	11,375	61,375
2002	50,000	9,125	59,125
2003	45,000	7,000	52,000
2004	45,000	5,000	50,000
Thereafter	101,032	4,000	105,032
Totals	$341,032	$50,125	$391,157

NOTE 7 – 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 with one or more years of service are entitled to vacation ranging from 10 to 26 days. Employees with less than one year of service also accrue vacation, according to the Ohio Revised Code, not to exceed 10 days. Employees are permitted to carry over vacation leave earned in the current year into the next year.

All employees are entitled to a sick leave credit equal to 1¼ days for each month of service (earned on a pro rata 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 retiring with 5 to 19 years of service to the District is limited to 25% of the accumulated sick leave. Employees retiring with 20 or more years of service to the District are paid 30% of their accumulated sick leave. The amount of accumulated sick leave for all employees is limited to a maximum of 197 days.

At June 30, 1999 the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the General Long-Term Obligation Account Group were $5,892 and $319,276, respectively. The liability for compensated absences in the proprietary funds at June 30, 1999 was $9,295.

NOTE 8 – PENSION AND RETIREMENT PLANS

A. State Teachers Retirement System

The District participates in the State Teachers Retirements System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. 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% of their annual covered salary and the District is required to contribute 14%; 10.5% 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% for members and 14% for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997, were $204,410, $202,002, $221,626, respectively; 85% has been contributed for fiscal year 1999 and 100% for fiscal years 1998 and 1997. $31,464 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds. for fiscal year 1999 is recorded as a liability within the respective funds.

B. School Employees Retirement System

The District contributes to the School Employees Retirement System (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 statue per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System 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 SERS, 45 North Fourth Street, Columbus, Ohio 43215.

NOTE 8 – PENSION AND RETIREMENT PLANS (Continued)

B. School Employees Retirement System (Continued)

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of the annual covered payroll. Fiscal year 1998, 9.79% 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 School Employees Retirement Board. The District's contributions for pension obligations to SERS for the years ending June 30, 1999, 1998, and 1997, were $56,933, $53,154, and $50,176, respectively, 56% has been contributed for fiscal year 1999 and 100% for fiscal years 1998 and 1997. $25,000 representing unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds and the general long-term obligations account group.

NOTE 9 – 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% of covered payroll.

The Retirement Board allocates employer contributions equal to 2% 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% of covered payroll to Health Care Reserve Fund. For the District, this amount equaled $68,137 during fiscal year 1999. 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% 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 10 or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than 25 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% of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 1998, the allocation rate is 4.21%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% 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% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

NOTE 9 – POSTEMPLOYMENT BENEFITS (Continued)

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 125% 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 the District's employer 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.

For the District, the amount to fund health care benefits, including the surcharge, equaled $31,540 during the 1999 fiscal year.

NOTE 10 – INSURANCE

Comprehensive

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

NOTE 11 – ENTERPRISE FUNDS SEGMENT INFORMATION

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

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	$111,566	$19,319	$130,885
Depreciation Expense	380		380
Operating Loss	(68,767)	(1,508)	(70,275)
Donated Commodities	20,324		20,324
Grants	33,912		33,912
Interest	132		132
Operating Transfers-In	17,500		17,500
Net Income (Loss)	3,101	(1,508)	1,593
Fixed Asset Additions	3,152		3,152
Fixed Asset Deletions	(1,903)		(1,903)
Net Working Capital	(12,575)	30,139	17,564
Total Assets	22,920	30,139	53,059
Total Liabilities	30,465		30,465
Total Equity	(7,545)	30,139	22,594

NOTE 12 – INTERFUND TRANSACTIONS

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

	Transfers In	Transfers Out
General Fund		$22,500
Debt Service Fund	$5,000	
Enterprise Funds	17,500	
Total All Funds	$22,500	$22,500

NOTE 13 – 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 districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. All payments made by the District for services received are made to the Northern Buckeye Education Council. Financial information can be obtained from Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities 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 educational 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. The District paid $22,212 for services received through NBEC. 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 one representative from each of the educational service centers from the counties of Defiance, Fulton, Henry, and Williams; one representative from each of the city school districts; one representative from each of the exempted village school districts; and one additional representative from Fulton County educational service center. The Four County Joint Vocational School possesses its own budgeting and taxing authority. No payments were made by the District to the Four County Joint Vocational School. 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 14 – RISK MANAGEMENT

A. 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.

B. 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 15). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating districts is 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 15 – INSURANCE 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 fiscal year ending June 30, 1999, was $440,425. 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 fiscal year ending June 30, 1999, the District paid an enrollment fee of $492 to the WCGRP to cover the costs of administering the program.

NOTE 16 – SCHOOL DISTRICT INCOME TAX

In 1991, the voters of the Edgerton Local School District passed a 1% school income tax on wages earned by residents of the District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ending June 30, 1999, the District recorded income tax revenue of $624,170 in the General fund, of which $215,964 is recorded as a receivable at June 30, 1999.

NOTE 17 – AGENCY FUNDS

General-Purpose Statement of Changes in Assets and Liabilities

	Balance at 06/30/98	Change	Balance at 06/30/99
Assets	$25,678	($2,687)	$28,365
Liabilities	$25,678	($2,687)	$28,365

NOTE 18 – ACCOUNTABILITY

At June 30, 1999, the Food Service Fund had a deficit fund balance of $7,545, which was created by the application of generally accepted accounting principles.

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			$15,307	$15,307
Current Year Set-aside Requirement	$67,429	$67,429	34,822	169,680
Current Year Offsets	(11,355)	(61,801)		(73,156)
Qualifying Disbursements	(56,074)	(5,628)		(61,702)
Total			$50,129	$50,129
Cash Balance Carried Forward to FY 1999			$50,129	$50,129
Amount Restricted for Budget Stabilization				$50,129
Total Restricted Assets				$50,129

NOTE 20 – YEAR 2000 ISSUE

The year 2000 issue is the result of shortcoming in many electronic data processing systems and other equipment that may adversely affect the government's operations as fiscal 1999.

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 has two school buildings with heating, air conditioning and ventilation systems, which have efficiency utilization measures within the systems. The District can manually override any computerized controls within these systems.

The District utilizes an external service organization for its financial reporting, payroll and employee benefits, and educational statistics reporting systems. The external service organization is responsible for remediating these systems.

Williams and Defiance Counties collect property taxes for distribution to the District. These Counties are responsible for remediating their tax collection systems.

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

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

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 this School District. During the fiscal year ended June 30, 1999, the School District received $2,007,576 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.

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.

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

Edgerton Local School District
Williams County
324 North Michigan Avenue
Edgerton, Ohio 43517-9719

To the Board of Education:

We have audited the financial statements of the Edgerton Local School District, Williams County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 9, 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 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 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 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 9, 1999.

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

December 9, 1999

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EDGERTON LOCAL SCHOOL DISTRICT

WILLIAMS 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 6, 2000